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

[CELLULARLINEGROUP]

www.cellularlinegroup.com

2021 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

Economic and Administrative Register 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
Davide Danieli	Director
Marco Di Lorenzo	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

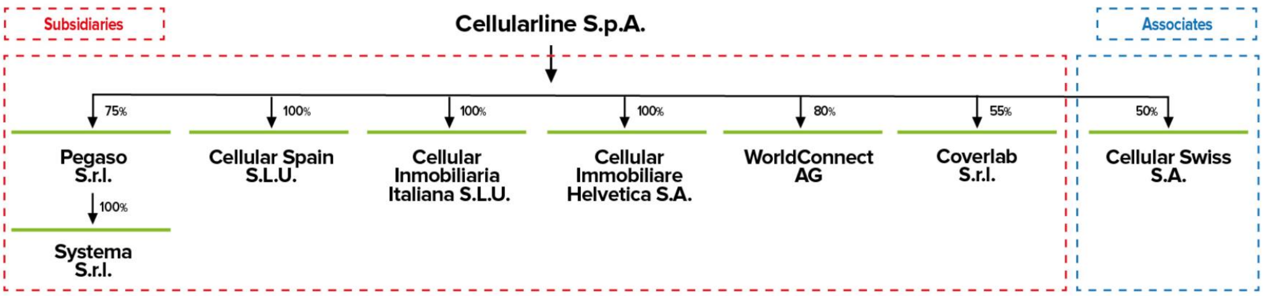
Board of Statutory Auditors

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., a company incorporated under Italian law with registered office in Via Lambrakis 1/a, Reggio Emilia (Italy), Parent Company operating in Italy and abroad in the sector of design, distribution (including of products not under its own brand) and marketing of accessories and devices for multimedia products (smartphones, tablets, wearables, audio products, etc.) and for connectivity in motion (in the car and on motorcycles/bikes), which includes a permanent establishment located in Paris at number 91, Rue Du Faubourg Saint Honoré (France). The latter represents a fixed base with three employees who carry out purely commercial activities and is aimed at managing relations with customers in the French market.
- Cellular Spain S.L.U., a company incorporated under Spanish law with registered office in C/Newton, 1 edificio 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), acquired on 3 April 2019 and a 75% subsidiary that owns - as a holding company - 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 investment held in Pegaso S.r.l.; Systema operates in the market European for mobile phone accessories in the Telco channel;
- 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.

- Coverlab S.r.l., an Italian company based in via Flaminia Conca 35, Rimini, is a 55% owned e-commerce company, operating - through its proprietary website - in the custom segment of smartphone accessories under the brand Coverlab.
- 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 Spain, Switzerland, Belgium, Germany and Austria 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 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 2021, compared with the prior year figures as at 31 December 2020.

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

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

3. Accounting policies

This 2021 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 2020.

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 substitutse for the indicators provided for in the IFRS, (iv) these APIs must be read together with the Group's financial information in the Annual Consolidated Financial Statements; (v) the definitions and criteria adopted to determine the indicators used by the Group, as they are not provided for by the IFRS, may not be consistent with those adopted by other companies or groups and, therefore, may not be comparable with any indicators presented by such parties, and (vi) the APIs used by the Group are drawn up according to a continuous and consistent 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 profit/loss attributable to owners of the parent, adjusted cash flow from operating activities, adjusted net financial indebtedness, adjusted net financial indebtedness/adjusted LTM EBITDA, cash generation and cash conversion ratio) are not identified as indicators under IFRS and, therefore, as explained above, should not be considered as alternative measures to those provided in the Group's financial statements for the assessment of the Group's performance and the financial position. Certain indicators defined as "Adjusted" are reported in order to represent the Group's performance and financial position, net of non-recurring events, non-core operations and events linked to non-recurring transactions, as identified by the Group. These indicators reflect the main financial statements items, net of non-recurring income and expense 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 considered in the Directors' Report.

4. Main financial and operational indicators[1]

(In thousands of Euro)	Year ended	
	31 December 2021	**31 December 2020**
Performance indicators		
Revenue	110,575	104,540
Adjusted EBITDA[2]	16,120	15,105
Adjusted EBIT[3]	10,738	10,437
Profit (loss) attributable to owners of the parent	(3,846)	13,900
Adjusted profit/() attributable to owners of the parent[4]	7,449	5,296

(In thousands of Euro)	Balance at	
	31 December 2021	**31 December 2020**
Financial indicators		
Cash flows generated by operating activities	19,072	11,307
Adjusted Cash flow generated by operating activities[5]	20,974	14,604
Net financial indebtedness	37,351	48,958
Adjusted net financial indebtedness	36,125	48,305
Adjusted net financial indebtedness/Adjusted LTM EBITDA[6]	2.2x	3.2x
Cash generation[7]	11,695	11,225
Cash Conversion Ratio[8]	72.5%	74.3%

[1] Adjusted indicators are not identified as IFRS indicators and, therefore, should not be considered as an alternative measure for the assessment of the Group's results. Since the composition of these indicators is not regulated by IFRS, the Group's calculation criterion applied may not be consistent with that adopted by other companies or that may be adopted in the future by the Group, or created by it, and thus not comparable.
[2] Adjusted EBITDA is given by the adjusted Consolidated EBITDA (i) of non-recurring charges/(income), (ii) of the effects deriving from non-core events, (iii) of events linked to extraordinary operations and (iv) by operating foreign exchange gains/(losses).
[3]Adjusted EBIT is given by the adjusted result of operations (i) of non-recurring charges/(income) and (ii) the effects deriving from non-core events (iii) events linked to extraordinary operations and (iv) adjustments of the amortisation and depreciation relating to the Purchase Price Allocation.
[4]Adjusted Profit for the year attributable to the parent is calculated as adjusted consolidated year Result of the (i) adjustments incorporated in Adjusted EBITDA, (ii) adjustments of amortisation and depreciation relating to the Purchase Price Allocation, (iii) adjustments of non-recurring financial charges/(income) and (v) the theoretical tax impact of these adjustments.
5 Adjusted cash flows from operating activities is the result of cash flow from operating activities, adjusted for non-recurring charges/income
6Adjusted net financial indebtedness is adjusted for financial payables for warrants.
[7] Cash generation is an indicator of the Group's ability to generate cash and is calculated as the difference between Adjusted EBITDA and Capex.
8 Cash Conversion Ratio is the Group's ability to generate cash and is calculated as the percentage ratio between Cash Generation and Adjusted EBITDA.

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

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 an upward trend in 2021 compared to the previous year (approximately +3.0% if audio products are excluded, +6.1% if included), reversing the negative trend of the previous year, despite the fact that the third and fourth waves of Covid-19 negatively affected the first part of the first half of 2021 and the second part of the second half of 2021, respectively. The trend was positive in all main European markets with a slightly more favourable trend in those countries where the effect of the COVID-19 pandemic was more severe in 2020.

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)	**31/12/2021**	**Of which related parties**	**% of revenue**	**31/12/2020**	**Of which related parties**	**% of revenue**
Revenue from sales	110,575	4,238	*100%*	104,540	4,510	*100%*
Cost of sales	(62,363)		*-56.4%*	(59,615)		*-57.0%*
Gross operating profit	**48,212**		***43.6%***	**44,925**		***43.0%***
Sales and distribution costs	(26,334)		*-23.8%*	(22,823)		*-21.8%*
General and administrative costs	(30,407)	(11)	*-27.5%*	(26,099)	(122)	*-25.0%*
Other non-operating expense/(revenue)	3,372		*3.0%*	591	(112)	*0.6%*
Operating profit/(loss)	**(5,157)**		***-4.7%***	**(3,405)**		***-3.3%***
* of which depreciation and amortisation (including PPA depreciation)	11,814		*10.7%*	10,871		*10.4%*
* of which impairment losses on the customer relationship	7,174		*6.5%*	4,013		*3.8%*
* of which Covid-19 non-recurring expense/(revenue)	382		*0.3%*	1,719		*1.6%*
* of which other non-recurring expense	1,520		*1.4%*	1,578		*1.5%*
* of which operating foreign exchange gains/(losses)	387		*0.3%*	329		*0.3%*
Adjusted operating profit (EBITDA)	**16,120**		***14.6%***	**15,105**		***14.4%***
Financial income	2		*0%*	2,706		*2.6%*
Financial expense	(2,126)		*-1.9%*	(2,449)		*-2.3%*
Foreign exchange gains/(losses)	603		*0.5%*	407		*0.4%*
Gains/(losses) on equity investments	122		*0.1%*	345		*0.3%*
Profit/(loss) before taxes	**(6,556)**		***-5.9%***	**(2,396)**		***-2.3%***
* of which PPA depreciation	6,432		*5.8%*	6,203		*5.9%*
* of which impairment losses on the customer relationship	7,174		*6.5%*	4,013		*3.8%*
* of which Covid-19 non-recurring expense/(revenue)	382		*0.3%*	1,719		*1.6%*
* of which other non-recurring expense	1,520		*1.4%*	1,578		*1.5%*
* of which financial expenses on the refinancing deal	-		-	408		*0.4%*
* of which fair value gain/(loss) on the put/call option	-		-	(1,747)		*-1.7%*
* of which fair value gain/(loss) on the warrant	573		*-0.5%*	(796)		*-0.8%*
Adjusted profit before tax	**9,525**		***8.6%***	**8,982**		***8.6%***
Current and deferred taxes	2,710		*2.5%*	16,297		*15.6%*
Profit (loss) for the period attributable to owners of the parent	**(3,846)**		***-3.5%***	**13,900**		***13.3%***
* of which PPA depreciation	6,432		*5.8%*	6,203		*5.9%*
* of which impairment losses on the customer relationship	7,174		*6.5%*	4,013		*3.8%*
* of which Covid-19 non-recurring expense/(revenue)	382		*0.3%*	1,719		*1.6%*
* of which other non-recurring expense	1,520		*1.4%*	1,578		*1.5%*
* of which financial expenses on the refinancing deal	-		-	408		*0.4%*
* of which fair value gain/(loss) on the put/call option	-		-	(1,747)		*-1.7%*
* of which fair value gain/(loss) on the warrant	573		*0.5%*	(796)		*-0.8%*
* of which tax effect on the above items	(4,786)		*-4.3%*	(3,655)		*-3.5%*
* of which benefit of request for tax ruling/intangible fixed asset tax alignment benefit	-		-	(16,327)		*-15.6%*
Adjusted profit (loss) for the period attributable to owners of the parent	**7,449**		***6.7%***	**5,296**		***5.1%***

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 2021, Revenue from sales, amounting to EUR 110,575 thousand (EUR 104,540 thousand in 2020), increased by EUR 6,035 thousand. Net of EUR 2,930 thousand resulting from the change in the scope of consolidation due to the additional contribution of five months of the newly acquired Coverlab S.r.l. (from July 2021) - and seven months of the newly acquired Worldconnect AG (from August 2020) - organic revenues amounted to EUR 107,645 thousand, an increase of 2.8%.
Compared to the previous year, the general trend in revenue was positive, as a result of the overperformance of all Red, Blue and Black product lines in the previous year. Although this performance is positive, above all thanks to the gradual recovery of the socio-economic context - after the lockdowns seen in the first part of the year - following the spread of the vaccination campaign and the gradual lifting of restrictions imposed by the authorities in the second and third quarters of 2021, it is still affected: (i) by the effects of the fourth wave of Covid-19 - which occurred during the period of high seasonality - which heavily impacted the fourth quarter; (ii) by the shortage of smartphones in the market due to the global semiconductor shortage.
The healthy balance in sales between Italy and foreign countries was confirmed, with the latter accounting for 46% of total revenues.

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, car supports, 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); and
- (iii) Blue line, which includes all the products marketed in Italy not under the Group’s proprietary trademarks (mainly Samsung and SanDisk products).

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

Revenue from sales by product line

(In thousands of Euro)	Year ended				Change	
	31/12/2021	% of revenue	31/12/2020	% of revenue	Δ	%
Red – Italy	46,023	41.6%	45,006	43.0%	1,016	2.3%
Red – International	43,132	39.0%	42,021	40.2%	1,111	2.6%
Revenue from sales - Red	**89,155**	**80.6%**	**87,027**	**83.3%**	**2,127**	**2.4%**
Black – Italy	3,970	3.6%	3,050	2.9%	920	30.2%
Black – International	4,154	3.8%	4,056	3.9%	98	2.4%
Revenue from sales - Black	**8,124**	**7.3%**	**7,106**	**6.8%**	**1,018**	**14.3%**
Blue – Italy	9,086	8.2%	7,867	7.5%	1,219	15.5%
Blue – International	3,752	3.4%	2,292	2.2%	1,460	63.7%
Revenue from sales - Blue	**12,838**	**11.6%**	**10,160**	**9.7%**	**2,679**	**26.4%**
Other – Italy	458	0.4%	247	0.2%	211	85.4%
Total revenue from sales	**110,575**	**100.0%**	**104,540**	**100.0%**	**6,035**	**5.8%**

The Red line, which represents approximately 80.6% of the Group's consolidated revenues, is the one that recorded growth of +2.4%, equal to EUR 2,127 thousand in 2021, with a positive contribution from both the domestic and international markets, both driven by the progressive normalisation of the socio-economic situation. The performance of foreign markets was still impacted by both the Covid-19 restrictions in certain countries (Germany and Benelux in particular) and the difficulties encountered in implementing the new route-to-market for the German market, only partially offset by the incremental positive contribution of Worldconnect (EUR 2.6 million), which, only in the fourth quarter, began to benefit from the first signs of recovery in the Airport Travel Retail channel, thanks to the reopening of certain international hubs.

The Black line increased by 14.3% compared to 2020, thanks also to the good performance of the On-line channel. Growth in the Blue line (up 26.4% on 2020) is primarily driven by demand for Samsung brand products distributed in Italy, whilst it was penalised by the negative performance of the international Telco channel in Benelux, a market where restrictive measures, as previously mentioned, have been in place for longer.

6.1.2 Consolidated revenue by geographical area

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

Revenue from sales by geographical area

(In thousands of Euro)	Year ended				Change	
	31/12/2021	**% of revenue**	**31/12/2020**	**% of revenue**	**Δ**	**%**
Italy	59,537	53.8%	56,171	53.7%	3,366	6.0%
Spain/Portugal	11,003	10.0%	7,205	6.9%	3,798	52.7%
Eastern Europe	8,298	7.5%	5,638	5.4%	2,660	47.2%
DACH	8,207	7.4%	11,094	10.6%	(2,886)	-26.0%
Benelux	6,954	6.3%	9,511	9.1%	(2,557)	-26.9%
France	6,092	5.5%	6,846	6.5%	(754)	-11.0%
Northern Europe	5,354	4.8%	4,033	3.9%	1,321	32.7%
Middle East	1,536	1.4%	922	0.9%	614	66.5%
Others	3,594	3.3%	3,120	3.0%	474	15.2%
Total revenue from sales	**110,575**	**100%**	**104,540**	**100.0%**	**6,035**	**5.8%**

The growth of the Italian market, equal to 6.0% (EUR 3,366 thousand), is driven by the recovery of the domestic market following the progressive normalisation of the economic situation.

As regards international markets, there was a positive performance in Spain, Eastern Europe, Northern Europe and the Middle East and a decrease in the DACH market due to both the restrictions that affected both such area and the temporary effects of the change in the route-to-market in Germany, as well as a decrease in Benelux and France due to the greater restrictions resulting from the pandemic.

6.2 Cost of sales

In 2021, cost of sales amounted to EUR 62,363 thousand, compared to EUR 59,615 thousand in 2020.

The cost of sales, net of the non-recurring effect of EUR 1,800 thousand - mainly stemming from the effects of Covid-19, which has caused both the collection of unsold goods from our customers and a greater level of obsolescence consequent to the failure to achieve the planned sales - came to EUR 60,563 thousand, accounting for 54.8% of revenue as compared with 55.6% in FY 2020. The lower incidence, equal to 0.8%, is mainly due to the following factors: i) greater absorption of fixed costs relating to logistics, ii) more favourable mix of products sold.

6.3 Sales and distribution costs

(In thousands of Euro)	Year ended		Change	
	31/12/2021	**31/12/2020**	**Δ**	**%**
Sales and distribution personnel expense	10,688	9,843	845	8.6%
Transport	7,370	5,735	1,635	28.5%
Commissions to agents	5,405	4,798	607	12.7%
Advertising expenses	1,561	1,614	(53)	-3.3%
Travel costs	656	499	157	31.5%
Other sales and distribution costs	654	334	320	95.8%
Total sales and distribution costs	**26,334**	**22,823**	**3,511**	**15.4%**

In 2021, cost of sales and distribution amounted to EUR 26,334 thousand, compared to EUR 22,823 thousand in 2020.

The item had a 2.0% higher incidence on revenue than in the previous year, mainly due to: (i) the increase in transport costs recorded in particular in the fourth quarter; (ii) the increase in personnel expense due to both the contribution of Worldconnect for 12 months compared to 5 months in 2020 and the fact that in 2020, action was taken to rationalise costs and mitigate the impact tied to the first wave of COVID-19 (including CIGD, reducing top management salaries, etc.), action that has not been taken in 2021; and (iii) the increase in commission to agents deriving from an increased turnover mix.

6.4 General and administrative costs

(In thousands of Euro)	Year ended		Change	
	31/12/2021	**31/12/2020**	**Δ**	**%**
Amortisation	9,917	9,114	803	8.8%
Depreciation	1,897	1,707	190	11.1%
Impairment of customer relationship	7,174	4,013	3,161	78.8%
Provisions for risks and impairment losses	216	139	77	55.4%
Administrative personnel expense	5,074	4,681	393	8.4%
Administrative, legal, personnel and management consultancy	2,369	2,691	(322)	-12.0%
Commissions and fees	114	137	(23)	-16.8%
Directors' and Statutory Auditors' fees	947	868	79	9.1%
Other general and administrative costs	2,699	2,749	(50)	-1.8%
Total General and administrative costs	**30,407**	**26,099**	**4,308**	**16.5%**

General and administrative costs amounted to EUR 30,407 thousand in 2021, compared to EUR 26,099 thousand as at 2020.

They increased with respect to the previous year, due to the combined effect of: (i) the impairment of the customer relationship for EUR 7,174 thousand (EUR 4,013 thousand during the previous year); (ii) the increase in the amortisation of intangible fixed assets, of which EUR 6,432 deriving from the purchase price allocation (EUR 6,203 thousand during the previous year); (iii) the increase in personnel expense due to both the acquisition of Worldconnect and the action taken by management in 2020 to rationalise costs and mitigate the impact tied to the first wave of COVID-19 (including CIGD, reducing top management salaries, etc.); no such action was taken in 2021.

6.5 Other non-operating costs and revenue

Net non-operating revenue amounted to EUR 3,372 thousand and mainly refers 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	
	31/12/2021	**31/12/2020**	**Δ**	**%**
Recoveries of SIAE fees	475	740	(265)	-35.8%
(SIAE and CONAI contributions)	(663)	(866)	203	-23.4%
Prior year (expense) and income	(68)	(162)	94	-58.0%
Other non-operating (expense)/revenue	3,628	879	2,749	>100%
Total Other non-operating revenue	**3,372**	**591**	**2,781**	>100%

The item increased on 2020, by EUR 2,781 thousand; the increase is mainly due to the *Härtefallmassnahmen für Unternehmen in Zusammenhang mit der COVID-19-Epidemie* ("Härtefall"), a contribution granted the Department of Economic Affairs of the Canton of San Gallo disbursed to WorldConnect AG in May 2021. It is a government support offered to the businesses that have most suffered the decline in turnover as a result of the COVID-19 pandemic and aims to cover structural costs. The Swiss subsidiary WorldConnect AG, operating in the Airport Travel Retail segment, has seen a drastic reduction to turnover and this contribution (CHF 2,267 thousand or EUR 2,097 thousand), has allowed the company to offset the structural costs not covered by operating cash flow in 2020 and the early months of 2021, allowing it to successfully come through this period of business difficulties, limiting financial tension.

6.6 Adjusted EBITDA

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

(In thousands of Euro)	Year ended		Change	
	31/12/2021	**31/12/2020**	**Δ**	**%**
Operating profit/(loss)	**(5,157)**	**(3,405)**	**(1,752)**	51.4%
Amortisation and depreciation	11,814	10,871	943	8.7%
Impairment of customer relationship	7,174	4,013	3,161	78.8%
Non-recurring costs/(revenue) COVID-19	382	1,719	(1,337)	-77.8%
Other non-recurring costs	1,520	1,578	(58)	-3.7%
Foreign exchange gains/(losses)	387	329	58	17.6%
Adjusted EBITDA	**16,120**	**15,105**	**1,015**	**6.7%**

Adjusted EBITDA was EUR 16,120 thousand (EUR 15,105 thousand in 2020), an increase of 6.7%, and had a 14.6% incidence on revenue (14.4% at 31 December 2020). The positive contribution of Worldconnect to the Group's Adjusted EBITDA of EUR 826 thousand, should be noted.

Adjustments made to EBITDA, excluding depreciation and amortisation and impairment, amounted to EUR 2,289 thousand during 2021 (EUR 3,626 thousand during 2020) and mainly consisted of:

(i) net non-recurring costs linked to the COVID-19 health emergency for EUR 382 thousand, of which EUR 1,600 thousand relating to higher returns received from main customers - made with a view to partnership - and higher obsolescence of inventories due to lost sales as a result of the pandemic; EUR 45 thousand are non-recurring operating expense correlated with the COVID-19 emergency, partly offset by the income of EUR 1,263 thousand relative to the Härtefall contribution received in 2021 from the subsidiary Worldconnect, pertaining to the previous year.

(ii) Other non-recurring costs amounting to EUR 1,520 thousand mainly include strategic/financial/legal consulting costs, costs related to the acquisition of Coverlab and costs related to the rebranding operation.

(iii) foreign exchange gains of EUR 387 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 expense amounts to EUR 2,124 thousand (net financial expense of EUR 257 thousand in 2020).

(In thousands of Euro)	**Year ended**		**Change**	
	31/12/2021	**31/12/2020**	**Δ**	**%**
Fair value gains	-	2,594	(2,594)	-100.0%
Interest income and other financial income	2	112	(110)	-98.2%
Total Financial income	**2**	**2,706**	**(2,704)**	**-99.9%**
Interest expense on medium/long-term loans	(1,091)	(1,713)	622	-36.3%
Other interest expense	(86)	(72)	(14)	19.4%
Commissions and other financial expense from fair value	(949)	(664)	(285)	42.9%
Total Financial expense	**(2,126)**	**(2,449)**	**323**	**-13.2%**
Total Financial income (expense)	**(2,124)**	**257**	**(2,381)**	**>100%**

Financial expense of EUR 2,126 thousand mainly refers to:

- EUR 1,091 thousand relative to interest to banks for the loan stipulated in October 2020 for an original amount of EUR 50,000 thousand (the residual debt at 31 December 2021 is EUR 35,000 thousand).
- EUR 573 thousand for the financial expenses deriving from the change, compared to the previous year, in the fair value of warrants issued by the Group (6,130,954 as at 31 December 2021).

6.8 Foreign exchange gains/(losses)

Foreign exchange gains/(losses) amounts to EUR 603 thousand (EUR 407 thousand in 2020:

(In thousands of Euro)	**Year ended**		**Change**	
	31/12/2021	**31/12/2020**	**Δ**	**%**
Net foreign exchange gains/(losses) on trading	387	329	58	17.6%
Net foreign exchange gains/(losses) on financial transactions	216	78	138	>100%
Total Foreign exchange gains/(losses)	**603**	**407**	**196**	**48.2%**

6.9 Adjusted EBIT

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

(In thousands of Euro)	Year ended		Change	
	31/12/2021	31/12/2020	Δ	%
Operating profit/(loss)	**(5,157)**	**(3,405)**	**(1,752)**	**51.5%**
PPA amortisation	6,432	6,203	229	3.7%
Impairment of customer relationship	7,174	4,013	3,161	78.8%
Non-recurring costs/(revenue) COVID-19	382	1,719	(1,337)	-77.8%
Other non-recurring costs	1,520	1,578	(58)	-3.7%
Foreign exchange gains/(losses)	387	329	58	17.6%
Adjusted EBIT	**10,738**	**10,437**	**301**	**2.9%**

Adjusted EBIT amounted to EUR 10,738 thousand and improved compared to the previous year for EUR 301 thousand.

The adjustments made to the Group EBIT refer to the factors mentioned in the paragraph on adjusted EBITDA, the amortisation of purchase price allocation and the impairment of the customer relationship.

6.10 Adjusted profit/(loss) 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)	Year ended		Change	
	31/12/2021	31/12/2020	Value	%
Profit (loss) attributable to the owners of the parent	**(3,846)**	**13,900**	**(17,746)**	**>100%**
PPA amortisation	6,432	6,203	229	3.7%
Impairment of customer relationship	7,174	4,013	3,161	78.8%
Non-recurring costs/(revenue) COVID-19	382	1,719	(1,337)	-77.8%
Other non-recurring costs	1,520	1,578	(58)	-3.7%
Financial expense relating to the closing of the loan	-	408	(408)	-100%
Fair value of the Warrant	573	(796)	1,369	>100%
Fair value of the Put/Call	-	(1,747)	1,747	-100%
Tax effects of the above items	(4,786)	(3,655)	(1,131)	30.9%
Request for tax ruling/intangible fixed asset tax alignment	-	(16,327)	16,327	-100%
Adjusted profit/(loss) attributable to owners of the parent	**7,449**	**5,296**	**2,153**	**40.7%**

The adjusted profit attributable to the owners of the parent for 2021 is equal to EUR 7,449 thousand, an improvement on 2020 by EUR 2,153 thousand.

The adjustments made to the profit/(loss) attributable to owners of the parent, in addition to the factors mentioned in the paragraph regarding Adjusted EBITDA and Adjusted EBIT, mainly refer to (i) the fair value of the warrant (ii) the theoretical tax impact related to the items included in the above-mentioned items.

7. Capital and financial position

Statement of financial position

(In thousands of Euro)	31/12/2021	Of which related parties	%	31/12/2020	Of which related parties	%
ASSETS						
Intangible assets	61,355		*21.8%*	74,940		*25.5%*
Goodwill	108,773		*38.7%*	106,408		*36.2%*
Property, plant and equipment	7,487		*2.7%*	7,924		*2.7%*
Equity investments in associates and other companies	58		*0.0%*	-		-
Other assets (non-current)	1,774		*0.6%*	1,749		*0.6%*
Deferred tax assets	4,748		*1.7%*	1,782		*0.6%*
Non-current financial assets	-	-	-	555	555	*0.2%*
Total non-current assets	**184,195**		***65.5%***	**193,358**		***65.8%***
Inventories	30,518		10.9%	32,963		*11.2%*
Trade receivables	52,117	4,702	18.5%	52,704	5,244	*17.9%*
Current tax assets	1,214		0.4%	1,528		*0.5%*
Financial assets	60		0.0%	108		*0.0%*
Other assets	4,948		1.8%	4,780		*1.6%*
Cash and cash equivalents	8,138		2.9%	8,629		*2.9%*
Total current assets	**96,995**		**34.5%**	**100,711**		***34.2%***
TOTAL ASSETS	**281,190**		**100.0%**	**294,069**		***100.0%***
Share capital	21,343		7.6%	21,343		*7.3%*
Other reserves	159,174		56.6%	157,761		*53.5%*
Retained earnings	28,688		10.2%	15,451		*5.2%*
Profit (loss) attributable to owners of the parent	(3,846)		-1.4%	13,900		*4.7%*
Equity attributable to the owners of the parent	**205,359**		**73.0%**	**208,455**		***70.9%***
Equity attributable to non-controlling interests	-		-	-		-
Total Equity	**205,359**		**73.0%**	**208,455**		***70.9%***
LIABILITIES						
Financial liabilities	25,642		9.1%	35,027		*11.9%*
Deferred tax liabilities	2,349		0.8%	2,552		*0.9%*
Employee benefits	772		0.3%	720		*0.2%*
Provisions for risks and charges	1,616		0.6%	1,697		*0.6%*
Other financial liabilities	7,494		2.7%	5,961		*2.0%*
Total non-current liabilities	**37,873**		**13.5%**	**45,957**		***15.6%***
Financial liabilities	10,129		3.6%	10,039		*3.4%*
Trade payables	19,825		7.1%	15,485		*5.3%*
Current tax liabilities	1,230		0.4%	1,869		*0.6%*
Provisions for risks and charges	-		-	65		*0.0%*
Other liabilities	4,489		1.6%	5,531		*1.9%*
Other financial liabilities	2,285		0.8%	6,668		*2.3%*
Total current liabilities	**37,958**		**13.5%**	**39,657**		***13.5%***
TOTAL EQUITY AND LIABILITIES	**281,190**		**100.0%**	**294,069**		***100.0%***

Financial Position

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Available cash/(Financial liabilities):		
Cash	26	13
Bank deposits	8,112	8,616
Cash and cash equivalents	**8,138**	**8,629**
Current financial assets	60	108
Current bank loans and borrowings	(10,129)	(10,039)
Other financial liabilities	(2,285)	(6,668)
Current financial indebtedness	**(12,354)**	**(16,599)**
current financial indebtedness	**(4,216)**	**(7,970)**
Non-current bank loans and borrowings	(25,642)	(35,027)
Other financial liabilities	(7,494)	(5,961)
Non-current financial indebtedness	**(33,135)**	**(40,988)**
Net financial indebtedness	**(37,351)**	**(48,958)**
Other financial liabilities - warrants	1,226	653
Adjusted net financial indebtedness	**(36,125)**	**(48,305)**

The composition of the Group's net working capital and net invested capital as at 31 December 2021 and 31 December 2020 is detailed below:

(In thousands of Euro)	Balance as at	
	30 December 2021	**31 December 2020**
Inventories	30,518	32,963
Trade receivables	52,117	52,704
Trade payables	(19,825)	(15,485)
Net trade working capital	**62,810**	**70,182**
Other working capital items	443	(1,157)
Net working capital	**63,253**	**69,025**
Non-current assets	184,195	193,358
Non-current provisions and other liabilities	(4,738)	(4,970)
Net invested capital	**242,710**	**257,413**
Net financial indebtedness	37,351	48,958
Equity	205,359	208,455
Total equity and financial liabilities	**242,710**	**257,413**

The Group's net invested capital at 31 December 2021 was EUR 242,710 thousand, a decrease of EUR 14,703 thousand from the previous year, primarily due to a reduction in operating trade working capital and non-current assets.

The operating Trade Working Capital of the Group at 31 December 2021 is equal to EUR 63,253 thousand and decreased by EUR 5,772 thousand on the previous year, due to the following main factors:

- a decrease in inventories due to the gradual reabsorption of stock as a result of efficient supply management, despite the fourth Covid-19 wave slowing down sales in the second half of the fourth quarter and the Group pushing back to December part of the supplies scheduled for January 2022 in order to mitigate possible delays in supplies from the Far East.

- an increase in trade payables deriving primarily from the different timing of supplies of goods implemented in order to mitigate possible delays in supplies from the Far East.
- trade receivables substantially in line with the previous year, despite the increase in revenues seen in FY 2021.

Non-current assets as at 31 December 2021 amounted to EUR 184,195 thousand and decreased mainly as a result of: *(i)* the amortisation and depreciation of intangible and tangible assets (of which EUR 6,432 thousand related to the Purchase Price Allocation); *(ii)* the impairment of the Customer Relationship for EUR 7,174 thousand; *(iii)* the increase in Goodwill for EUR 1,848 thousand and of the acquired assets for EUR 91 thousand related to the acquisition of Coverlab S.r.l.; and *(iv)* the investments for the period equal to approximately EUR 4,425 thousand.

Below is a reconciliation of the net financial indebtedness (also adjusted) at 31 December 2021, of EUR 37,351 thousand, and at 31 December 2020, of EUR 48,958 thousand, according to the scheme envisaged by ESMA Guidance 32-382-1138 dated 4 March 2021 and indicated in the Consob Note 5/21 dated 29 April 2021:

	Balance as at		**Changes**	
(In thousands of Euro)	**31 December 2021**	**31 December 2020**	**Δ**	**%**
(A) Cash	8,138	8,629	(491)	-5.7%
(B) Other cash and cash equivalents	-	-	-	0.0%
(C) Other current financial assets	60	108	(48)	-44.4%
(D) Cash and cash equivalents (A)+(B)+(C)	**8,198**	**8,737**	**(539)**	**-6.2%**
(E) Current financial liabilities	2,285	6,668	(4,383)	-65.7%
(F) Current portion of non-current indebtedness	10,129	10,039	90	0.9%
(G) Current financial indebtedness (E) + (F)	**12,414**	**16,707**	**(4,293)**	**-25.7%**
- of which guaranteed	-	-	-	0.0%
- of which not guaranteed	*12,414*	*16,707*	*(4,293)*	*-25.7%*
(H) Net current financial indebtedness (G) - (D)	**4,216**	**7,970**	**(3,755)**	**-47.1%**
(I) Non-current financial indebtedness	33,135	40,988	(7,853)	-19.2%
(J) Debt instruments	-	-	-	0.0%
(K) Trade payables and other current liabilities	-	-	-	0.0%
(L) Non-current financial indebtedness (I)+(J)+(K)	**33,135**	**40,988**	**(7,853)**	**-19.2%**
- of which guaranteed	-	-	-	0.0%
- of which not guaranteed	*33,135*	*40,988*	*(7,853)*	*-19.2%*
(M) NET FINANCIAL INDEBTEDNESS (H) + (L)	**37,351**	**48,958**	**(11,607)**	-23.7%
Other financial liabilities - warrants	(1,226)	(653)	(573)	87.7%
Adjusted net financial indebtedness	**36,125**	**48,303**	**(12,178)**	**-25.2%**

Net financial indebtedness amounted to EUR 37,351 thousand and includes not only EUR 8,198 thousand in Cash, mainly medium/long-term bank loans as well as the liability for the exercise of the put/call options and agreements for the acquisition of the remaining minority (25% of the shares in Systema, the remaining 20% of Worldconnect and the remaining 45% of Coverlab), but also the financial liabilities relative to warrants and lease payables in application of IFRS 16.

The leverage ratio (net debt/adjusted EBITDA) is 2.32x. The low level of net debt ensures adequate financial flexibility.

The reduction in net financial indebtedness compared to the previous year is influenced by the following factors: (i) the effects of the acquisition of Coverlab and the consequent cash outlay of EUR 295 thousand and the recording of the put/call options for EUR 1,700 thousand; (ii) the increased liability of the warrant for EUR 573 thousand; the benefit deriving from the Hartfall Contribution received by the subsidiary Worldconnect for EUR 2,097 thousand.

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

Net cash flows from operating activities

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Cash flows from operating activities		
Profit/(loss) for the period	(3,846)	13,900
Adjustments for:		
- Current and deferred taxes	(2,710)	(16,297)
- Net accruals and impairment losses	124	871
- (Gains)/Losses on equity investments	(122)	(345)
- Accrued financial (income)/expense	2,124	(257)
- Amortisation, depreciation and impairment losses	18,988	14,884
- Other non-monetary movements	59	-
Changes in:		
- Inventories	2,563	(6,592)
- Trade receivables	527	8,996
- Trade payables	4,340	(4,731)
- Other changes in operating assets and liabilities	487	5,766
- Payment of employee benefits and change in provisions	(186)	(253)
Cash flows generated by/(used in) operating activities	**22,349**	**15,942**
Taxes paid/offset	(2,352)	(3,704)
Interest paid	(925)	(931)
Cash flows generated by/(used in) operating activities	**19,072**	**11,307**
Net charges from COVID-19/M&As/Others	1,902	3,297
Adjusted Net cash flow generated by/(used in) operating activities	**20,974**	**14,604**

Adjusted net cash flow from operating activities attests to the Group's ability to generate cash on an annual basis and in particular during the second half of the year.

The adjusted net cash flows from operating activities increased by approximately EUR 6,370 thousand, due to the increase in the Group's results of operations and the generation of net working capital of EUR 7,362 thousand.

Cash flows from investing activities

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired and other costs	(2,365)	(13,813)
(Purchases)/sale of property, plant and equipment and intangible assets	(4,997)	(10,171)
Cash flows generated by/(used in) investing activities	**(7,362)**	**(23,984)**

During 2021, investments mainly regarded not only the acquisition of Coverlab:

- investments in intangible assets of about EUR 2,775 thousand, mainly related to the evolution of the main company software and R&D on new products/brands;
- investments in plant, machinery and equipment of approximately EUR 750 thousand;
- right of use for approximately EUR 979 thousand.

Cash flows from financing activities

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Cash flows from financing activities		
Increase/(decrease) in bank loans and borrowings from other financial backers	(9,597)	(11,035)
Increase/(decrease) in other financial liabilities	(3,447)	8,492
(Dividend distribution)	-	(6,612)
Payment of transaction costs relating to financial liabilities	151	(277)
Other changes in equity	-	(1,351)
Net cash flows used in financing activities	**(12,893)**	**(10,783)**

The cash flows used in financing activities at 31 December 2021 mainly reflect:

- the payment of the instalment of the bank loan in place for EUR 10,000 thousand; as compared with the previous period, the re-financing agreement signed by the Parent company in October 2020 (with Banco BPM S.p.A. and Intesa Sanpaolo S.p.A.);
- the payment of the deferred consideration - equal to EUR 5,325 thousand - relating to the purchase of 80% of Worldconnect AG, as expected at the time of closing the transaction;
- the increased liability for the put/call option in connection with the acquisition of Coverlab for EUR 1,700 thousand (stated under Increase/(Decrease) in other financial liabilities);
- the increase in financial liabilities for EUR 484 thousand relative to the COVID-19 loan received by the subsidiary Worldconnect.
- the change in the liability related to the warrant of EUR 573 thousand (reclassified under Increase/(Decrease) in other financial liabilities).

8. Investments and research and development activities

During 2021 - 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:

- expansion of the BECOME range with new environmentally-friendly chargers and cables produced with biodegradable and compostable materials;
- continuation of the so-called "Eco-sustainable approach", which envisages a continuous reduction in the amount of plastic used and in the size of packs and the revision of technical structures (e.g. for better separability between plastic and paper components);
- aesthetic and design innovation of the main product lines;
- technological process innovation in the main business areas, including supply chain, information technology and e-commerce, the in-house developed project of which will be operative starting the first quarter of 2022.

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 3.13 to the Consolidated Financial Statements.

12. Treasury shares and shares of the parent

No purchases or disposals of treasury shares were recorded during 2021, leaving the number of shares held at the end of the previous year unchanged. Therefore, as at 31 December 2021, the Parent held 1,636,505 treasury shares, equal to 7.48% 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 Company 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, often through the on-line channel and with low quality and/or non-certified product offerings.
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 its business and growth prospects as well as on its 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 misjudgement regarding developments in consumer behaviour, dynamics of prices and product ranges may entail the risk of missed or delayed adoption of appropriate sales models and failure to explore new sales channels or delay in doing so, which could have a negative impact on the Group's financial position, results of operations and cash flows.

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 characterised by high sales values, i.e. the untimeliness of the strategy change according to data and information on updated sales figures could have a negative impact on the ability of the product offer to meet customer demand, with negative effects on the Group's financial position, results of operations and cash flows.
Also note that 2021 revenue continues to suffer the prolongation of the restrictions imposed to fight the spread of COVID-19.

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 COVID-19 health emergency. 2021 was, in fact, still marked by the COVID-19 pandemic, the global social and economic effects of which are quite simply unprecedented and would not yet appear to be over.

The adoption of the restrictive measures implemented by various government authorities to counter the spread of the

Covid-19 led to a significant contraction in consumption (especially in physical retailers), with a significant impact on the Group's economic and financial indicators.

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. The pandemic still remains the primary threat to the global economy, and the Omicron variant adds to the uncertainties.

In particular, if there were to be subsequent waves of COVID-19 infections, the national authorities could reinstate all or part of the restrictive measures, more severely than is presently the case, 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:

- operating activities, 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 the 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 results 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. However, there are numerous factors that limit its risk profile, including: i) the high rate of product innovation (about 35% of annual turnover derives from products launched in the year), ii) the possibility to carry out, in a relatively short time (3-6 months), revisions to customer price lists and, lastly, iii) the high contractual flexibility with suppliers in the Far East (with no commitments to purchase minimum quantities at predefined prices for periods exceeding 6 months - with rare exceptions).

The performance of foreign exchange rates applied during the year was as follows:

Currency	Average 2021	31 December 2021	Average 2020	31 December 2020
Euro/US Dollar	1.18	1.13	1.14	1.23

In 2021, 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.

In the last few months of 2021, the Group has been experiencing negative effects from critical supply chain issues such as higher transportation costs from China, semiconductor shortages and the resulting shortage of smartphones in the market. Considerations have been made about moving some production to Europe, but on most of our products it would not be feasible or all in all would not have a positive impact.

In the event that the critical issues with the supply chain that we are currently experiencing should continue for any length of time, this may result in 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), the Group 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	-	772	-	**772**
Trade payables	19,825	-	-	**19,825**
Deferred tax liabilities	-	2,349	-	**2,349**
Financial liabilities	10,129	25,642	-	**35,771**
Current provisions for risks and charges	-	1,616	-	**1,616**
Other liabilities	4,489	-		**4,489**
Other financial liabilities	2,285	7,429	65	**9,779**
Current tax liabilities	1,230	-	-	**1,230**
Total	**37,958**	**37,808**	**65**	**75,831**

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, considering the limited Leverage Ratio (2.2x), the current cash and cash equivalents (EUR 8.1 million), the committed credit facility for M&As involved in the medium/long-term loan contract in place (EUR 20 million) and the credit lines made available by various credit institutions and not used (about EUR 20 million).

13.7 Credit risks

Credit risk is when a customer or one of the counterparties to a financial instrument might 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 progressively increasing the systematic way in which credit report analyses are conducted, including the assessment of the customer portfolio and the assigment 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	41,331	2,840	604	5,781
Amounts due from associates	1,821	2,147	1,029	-
Total gross trade receivables	**43,152**	**4,987**	**1,633**	**5,781**
(Loss allowance)	-	-	-	(3,436)
Total net trade receivables	**43,152**	**4,987**	**1,633**	**2,345**

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 35 million as at 31 December 2021), given also the current limited level of net indebtedness; consequently, interest rates fluctuations could lead to an increase in financial expense on the loan, which is currently exclusively at a variable rate.
With reference to the interest-rate risk, a sensitivity analysis was carried out to determine the effect on consolidated profit or loss (before the tax effect) that would result from a hypothetical positive and negative change of 100 basis points in interest rates compared to those actually 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%	
	2021	**2020**
Financial liabilities	(523)	(631)

It should be noted that a negative change of 100 basis points in interest rates would not have a positive effect on consolidated profit before tax since the loans require the Euribor cannot be negative (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 corporate 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 Risks associated with climate change

The Group also examined the risk associated with Climate Change. At present, no significant elements have been highlighted such as to identify triggers that could generate accounting impacts. In particular, the recoverability of the value of inventories, the potential impact on the residual useful life of assets, following the potential need to replace them in order to comply with new policies or non-compliance with current regulations, and the potential impact on the demand for products were examined without finding any critical issues. Given the ongoing evolution of the subject, the Group will continue and expand its monitoring of such possible risks in the future.

13.11 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 Company's Corporate Governance system complies with the principles contained in the Corporate Governance Code for Listed Companies and with international best practice. On 17 March 2022, 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 2021. 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 the shareholders 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 31 December 2021 and 31 December 2020.

		Carrying amount			Fair value level		
(In thousands of Euro)	Book value as at 31/12/2021	Amortised cost	FV to OCI	FV to PL	Level 1	Level 2	Level 3
Cash and cash equivalents	8,138	8,138	-	-	-	-	-
Trade receivables and other assets	57,066	57,066	-	-	-	-	-
Other financial assets	60	60	-	-	-	-	-
Total financial assets	**65,264**	**65,264**	**-**	**-**	**-**	**-**	**-**
Financing	35,771	35,771	-	-	-	-	-
Trade payables and other liabilities	24,314	24,314	-	-	-	-	-
Other financial liabilities	9,778	-	-	9,788	1,226	8,562	-
Total financial liabilities	**69,863**	**60,085**	**-**	**9,788**	**1,226**	**8,562**	**-**

		Carrying amount			Fair value level		
(In thousands of Euro)	Book value as at 31/12/2020	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**	**-**

IFRS 13 establishes a fair value hierarchy that classifies the three levels of input for valuation techniques adopted to measure fair value. 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 carrying amount is considered to be a reasonable approximation of their fair value.

16. Branches

The Company has its registered office in Reggio Emilia, at Via Grigoris Lambrakis n. 1/A and at 31 December 2021, has a branch office in France, based in Paris at 91, Rue Du Faubourg Saint Honoré.

17. Workforce

In 2021, in the belief that people are one of the Group's strategic assets, it was decided to invest in improving people management practices and policies through a major investment aimed at reviewing and redesigning HR processes and systems. Moreover, the Group continues to carry out training and development activities for its employees on a regular basis, in the certainty that the professional and working growth of each individual is a prerequisite for continuous improvement in performance.

The work is carried out in full compliance with the rules and regulations in force regarding safety in the workplace. 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.
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 description given in note 1.1. "Impact of the COVID-19 emergency on the Group's performance and financial position, measures taken, risks and areas of uncertainty".
The number of employees as at 31 December 2022 was 254, compared to 243 in the previous year.

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 it does not have any significant environmental impacts, the Group has adopted specific procedures for the disposal of Waste Electrical and Electronic Equipment (WEEE).

19. Significant events during the year

Appointment of the Chief Corporate & Financial Officer and Manager responsible for preparing the financial information (February): the Board of Directors appointed Davide Danieli - effective 21 April 2021 - as Chief Corporate & Financial Officer and Manager responsible for preparing the financial information pursuant to article 154-bis of Legislative Decree no. 58/1998, with the approval of the Board of Statutory Auditors, as he meets the requirements in the articles of association to hold this office. In addition to having earned a degree in Economics from the University of Turin in 2000 and completed the Executive MBA program at Altis - Università Cattolica of Milan, Mr Danieli has, in his 20-year career, gained vast experience in AFC, Tax and HR and personally contributed to the transformation and digitalisation of business processes, M&As, post-merger integrations and the optimisation of business performance to maximise value for shareholders.

Shareholders' Meeting (April):

- approval of the Financial Statements for the year ended 31 December 2020 and allocation of the Profit for the year to reserves on the basis of the provisions of the Articles of Association and Article 2430 of the Italian Civil Code, taking into account the exceptional emergency situation generated in 2020 by the COVID-19, the current context of socio-economic uncertainty and the difficult assessment of the effects that this continuing situation may still have on the economy;
- approval of the "*2021-2023 Cellularline Group Incentive Plan*" (the "Long Term Incentive Plan") for the Company's and the Group's executive directors, key managers and other key resources, with the aim of creating incentives to develop a culture among senior management highly oriented towards creating value and continuously improving business results and the Company's stock performance;

- approval of the increase in the number of members of the Board of Directors from 10 to 11 and appointment of a new member of the Board of Directors.

- **Launch of new Eco-friendly accessories** (April): expansion of the BECOME range with new environmentally-friendly chargers and cables produced with biodegradable and compostable materials that allow a significant reduction of the plastic used.
- **Conversion of special shares** (June): on 4 June 2021, the deadline envisaged by Art. 5.6 of the Company Articles of Association for the automatic conversion of the 195,000 remaining Special Shares into Ordinary Shares expired; said shares have therefore been converted at the ratio of 1 Ordinary Share to each 1 Special Share held, into a total of 195,000 new-issue Ordinary Cellularline Shares, with no change to the amount of share capital.
The Ordinary Shares resulting from the conversion of the Special Shares have been assigned to those entitled with effect from 9 June 2021. Upon completion of the conversion, the Company's new share capital consists of 21,868,189 ordinary shares with no nominal value.
- **Acquisition of Nicotina S.r.l.** (June): 55% of the share capital of Nicotina S.r.l. acquired (later renamed "Coverlab"), an innovative e-commerce company and one of Italy's leaders in the custom smartphone accessories segment.
Founded in 2018 and based in Rimini (Italy), Coverlab - through its proprietary website www.shopcoverlab.com - markets custom smartphone accessories, highly customisable through applications developed in-house using proprietary software that make online purchasing and the customer experience particularly effective and efficient.
With this transaction Cellularline will be able to leverage the innovative know-how of Coverlab and implement advanced strategies for the promotion and sale of its products also through digital channels. Furthermore, by opening up to the custom segment of smartphone accessories, it will be able to meet the sophisticated needs of a premium niche market and intercept the demand of the new generations.
- **Payment of the deferred consideration agreed upon with the minority shareholders of Worldconnect AG** (July): Cellularline S.p.A. paid the deferred consideration - amounting to CHF 5.8 million - relating to the purchase of 80% of Worldconnect AG, as expected at the time of the closing of the transaction.
- **ESG Report** (September): the first ESG "Impact & Evolution Report" was published as part of Cellularline Group's long-term strategy.

20. Key events after the reporting date

AEO (Authorised Economic Operator) authorisation granted by the Customs and Monopolies Agency: Cellularline has obtained the authorisation with the highest degree of reliability (AA) in both customs simplification (AEOC) and security (AEOS), demonstrating the high level of compliance achieved within the supply chain. Since it is valid throughout the European Union, but also recognised in important third countries including the United States, China, Japan and Switzerland, this authorisation will ensure Cellularline an even higher standing at a global level, consolidating the leadership achieved by the Group in the EMEA area and facilitating its expansion into other international markets.

Resignation of a Non-Executive Director and co-optation of a Director

In February 2022, the Non-Executive Director of Cellularline S.p.A. - Stefano Cerrato - resigned. Following his resignation, in February 2022, Davide Danieli - currently Group Chief Corporate & Financial Officer, Investor Relater and Manager responsible for preparing the financial information as of 21 April 2021 - was co-opted as a non-executive Director.

21. Outlook

In addition to the health emergency - which broke out in the first quarter of 2020 and has not yet been fully resolved on a global level - geopolitical uncertainty has been added deriving from the outbreak of war in Ukraine, with a consequent increase in unpredictability regarding potential future repercussions on the global economy.

Given the current changing environment, the main strategic development directions for 2022 on which management is fully focused can be traced to the following areas:

- Core business: confirmation of leadership in the domestic market through the strengthening of partnerships with major retailers and expansion in international markets through the acquisition of new customers and agreements with strategic local distributors;
- Brand and products: innovation and expansion of the product range, a distinctive element of the Group's DNA, in order to meet the needs of the end consumer by interpreting market trends;
- E-commerce: implementation of the strategic plan defined during 2021 that envisages both the implementation of business to consumer - through the Group's proprietary websites and market places - and business to business with the strengthening of partnerships with the online websites of the main players in the sector.
- Travel channel: gradual recovery of the Airport Travel Retail, expected to be fully operational from 2023, which is Worldconnect AG's main reference channel.
- Blue Line: thanks to the unbundling of accessories also by Samsung, for which the Group is the main distributor for accessories in Italy.
- M&A: scouting for potential transactions in channels, products and markets deemed strategic.

In this context, and with reference to the first two months of the current year alone, it should be noted that the Company recorded double-digit growth compared with the same period of the previous year, thanks both to the recovery in demand and to the effect of the numerous strategic actions implemented by management during 2021.

As regards the trend for the remaining months of 2022 this will be, as mentioned above, influenced by the evolution of the pandemic and the effects that the war in Ukraine may have on the global economy; net of extraordinary events, management expects 2022 to see growth in terms of both revenues and margins with a further gradual reduction in the level of net debt.

Reggio Emilia, 17 March 2022

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 2021

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CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

STATEMENT OF FINANCIAL POSITION

(thousands of Euro)	Notes	31/12/2021	Of which related parties	31/12/2020	Of which related parties
ASSETS					
Non-current assets					
Intangible assets	**3.1**	61,355		74,940	
Goodwill	**3.2**	108,773		106,408	
Property, plant and equipment	**3.3**	7,487		7,924	
Equity investments		58		-	
Right-of-use assets	**3.4**	1,774		1,749	
Deferred tax assets	**3.5**	4,748		1,782	
Financial assets	**3.6**	-		555	555
Total non-current assets		**184,195**		**193,358**	
Current assets					
Inventories	**3.7**	30,518		32,963	
Trade receivables	**3.8**	52,117	4,702	52,704	5,244
Current tax assets	**3.9**	1,214		1,528	
Financial assets	**3.10**	60		108	
Other assets	**3.11**	4,948		4,780	
Cash and cash equivalents	**3.12**	8,138		8,629	
Total current assets		**96,995**		**100,711**	
TOTAL ASSETS		**281,190**		**294,069**	
EQUITY AND LIABILITIES					
Equity					
Share capital	**3.13**	21,343		21,343	
Other reserves	**3.13**	159,174		157,761	
Retained earnings	**3.13**	28,688		15,451	
Profit/(loss) for the year attributable to owners of the parent		(3,846)		13,900	
Equity attributable to owners of the parent		**205,359**		**208,455**	
Equity attributable to non-controlling interests		-		-	
TOTAL EQUITY		**205,359**		**208,455**	
LIABILITIES					
Non-current liabilities					
Financial liabilities	**3.14**	25,642		35,027	
Deferred tax liabilities	**3.5**	2,349		2,552	
Employee benefits	**3.15**	772		720	
Provisions for risks and charges	**3.16**	1,616		1,697	
Other financial liabilities	**3.20**	7,494		5,961	
Total non-current liabilities		**37,873**		**45,957**	
Current liabilities					
Financial liabilities	**3.14**	10,129		10,039	
Trade payables	**3.17**	19,825		15,485	
Current tax liabilities	**3.18**	1,230		1,869	
Provisions for risks and charges	**3.16**	-		65	
Other liabilities	**3.19**	4,489		5,531	
Other financial liabilities	**3.20**	2,285		6,668	
Total current liabilities		**37,958**		**39,657**	
TOTAL LIABILITIES		**75,831**		**85,614**	
TOTAL EQUITY AND LIABILITIES		**281,190**		**294,069**	

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

INCOME STATEMENT

(thousands of Euro)	Notes	31/12/2021	Of which related parties	31/12/2020	Of which related parties
Revenue from sales	**4.1**	110,575	4,238	104,540	4,510
Cost of sales	**4.2**	(62,363)		(59,615)	
Gross operating profit		**48,212**		**44,925**	
Sales and distribution costs	**4.3**	(26,334)		(22,823)	
General and administrative costs	**4.4**	(30,407)	(11)	(26,099)	(122)
Other non-operating costs/(revenue)	**4.5**	3,372		591	(112)
Operating profit/(loss)		**(5,157)**		**(3,405)**	
Financial income	**4.6**	2		2,706	
Financial expense	**4.6**	(2,126)		(2,449)	
Foreign exchange gains/(losses)	**4.7**	603		407	
Gains/(losses) on equity investments	**4.8**	122		345	
Profit/(loss) before taxes		**(6,556)**		**(2,396)**	
Current and deferred taxes	**4.9**	2,710		16,297	
Profit for the year before non-controlling interests		**(3,846)**		**13,900**	
Profit for the year attributable to non-controlling interests		-		-	
Profit/loss for the year attributable to owners of the parent		**(3,846)**		**13,900**	
Basic earnings per share (Euro per share)	**4.10**	**(0.190)**		**0.694**	
Diluted earnings per share (Euro per share)	**4.10**	**(0.190)**		**0.694**	

STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euro)	Notes	31/12/2021	31/12/2020
Profit/(loss) for the year attributable to owners of the parent		**(3,846)**	**13,900**
Other components of comprehensive income that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined benefit plans		2	3
Actuarial gains (losses) on provisions for risks		18	(67)
Gains/(losses) on translation of foreign operations		691	17
Income taxes		(6)	18
Other components of comprehensive expense for the year		**705**	**(29)**
Total comprehensive income (charges) for the year		**(3,141)**	**13,871**

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CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

STATEMENT OF CASH FLOWS

(thousands of Euro)	**Notes**	**31/12/2021**	**31/12/2020**
Profit/(loss) for the year		(3,846)	13,900
Amortisation, depreciation and impairment losses		18,988	14,884
Net impairment losses and accruals		124	871
(Gains)/losses on equity investments		(122)	(345)
Accrued financial (income)/expense		2,124	(257)
Current and deferred taxes		(2,710)	(16,297)
Other non-monetary movements		59	-
		14,617	**12,757**
(Increase)/decrease in inventories		2,563	(6,592)
(Increase)/decrease in trade receivables		527	8,996
Increase/(decrease) in trade payables		4,340	(4,731)
Increase/(decrease) in other assets and liabilities		487	5,766
Payment of employee benefits and change in provisions		(186)	(253)
Cash flows generated by (used in) operating activities		**22,349**	**15,942**
Interest paid		(925)	(931)
Income taxes paid		(2,352)	(3,704)
Net cash flows generated by (used in) operating activities		**19,072**	**11,307**
Acquisition of subsidiary, net of cash acquired		(2,365)	(13,813)
(Purchase)/sale of property, plant and equipment and intangible assets		(4,997)	(10,171)
Net cash flows generated by (used in) investing activities		**(7,362)**	**(23,984)**
(Dividends distributed)		-	(6,612)
Other financial assets and liabilities		(3,447)	8,492
Other changes in equity		-	(1,351)
Increase/(decrease) in bank loans and borrowings and loans and borrowings from other financial backers		(9,597)	(11,035)
Payment of transaction costs relating to financial liabilities		151	(277)
Net cash flows used in financing activities		**(12,893)**	**(10,783)**
Increase/(decrease) in cash and cash equivalents		**(1,183)**	**(23,460)**
Effect of exchange rate fluctuations		692	-
Total cash flow		(491)	(23,460)
Opening cash and cash equivalents	**4.11**	**8,629**	**32,089**
Closing cash and cash equivalents	**4.11**	**8,138**	**8,629**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Euro) **Notes**		**Share Capital**	**Other reserves**	**Retained earnings/ (losses carried forward)**	**Profit (loss) for the year**	**Non-controllin g interests**	**Total net Equity**
Balance as at 31 December 2019		**21,343**	**156,076**	**6,891**	**18,209**	**-**	**202,519**
Allocation of profit for previous year		-	1,820	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		**21,343**	**157,761**	**15,451**	**13,900**	**-**	**208,455**
Allocation of profit for previous year		-	663	13,238	(13,900)	-	-
Dividend distribution		-	-	-	-	-	-
Comprehensive income		-	705	-	-	-	705
Other changes		-	45	-	-	-	45
Profit for the year		-	-	-	(3,846)	-	(3,846)
Balance as at 31 December 2021	**3.13**	**21,343**	**159,174**	**28,688**	**(3,846)**	**-**	**205,359**

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EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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 Spain, Switzerland, Belgium, the Netherlands, Germany and Austria 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 27 April 2022, in line with the financial calendar approved by the Board of Directors on 15 December 2021.

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 2021, the shareholders of Cellularline holding more than 5% of the share capital with voting rights are as follows:

- Christian Aleotti 8.483%
- First Capital S.p.A. 5.235%
- Quaero Capital S.A. 5.049%

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

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 COVID-19 health emergency.

FY 2021 was, in fact, still marked by the COVID-19 pandemic, the global social and economic effects of which are quite simply unprecedented.

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, particularly during the second half of the fourth quarter of 2021, the quarter characterised by high seasonal sales thanks to Christmas.

In this context, 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 the 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 results of operations and financial performance.

In economic terms, in addition to the aforementioned drop in sales volumes, the pandemic event resulted in (i) non-recurring costs amounting to EUR 1,600 thousand following the withdrawal of unsold goods from customers and increased obsolescence due to the lack of sales recorded; (ii) non-recurring costs incurred by the Group for the purchase of materials and compliance with regulations amounting to EUR 45 thousand, partially offset by income relating to the Härtefall contribution for EUR 2,097 thousand received by the subsidiary Worldconnect, of which EUR 1,623 non-recurring. In addition, the Group implemented actions to mitigate the impacts of the pandemic event through careful rationalization of the operating costs. It generated: (i) lower commercial costs due to the cancellation of trade fairs and events and the temporary reduction of marketing costs; (ii) lower personnel costs due to use of social shock absorbers for some Group companies both in Italy and abroad for EUR 354 thousand.

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. Finally, the subsidiary Worldconnect AG has two outstanding loans for a total of EUR 968 thousand in connection with the pandemic.

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 and Customer Relationship, in order to ascertain the recoverability of these intangible assets. The result of this valuation showed the need to record an impairment loss of EUR 7,174 thousand on the customer relationship, as described in detail in paragraph 3.1.1. “Intangible Assets” in the notes to the financial statements.

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.

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 and for the year ended 31 December 2021 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 standards”.

2.1 Basis of preparation of the Consolidated Financial Statements

The financial statements as at 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union.

IFRS also includes all the International Financial Reporting Standards(“IFRS”), all the International Accounting Standards(“IAS”) and all the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously known as the Standing Interpretation Committee (“SIC”), adopted by the European Union at the date of approval of these financial statements by the Board of Directors of the Parent Company and contained in the relative 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 31 December 2021, drafted by the individual companies included in the scope of consolidation area of Cellularline S.p.A. (“the Company”, and together with its Subsidiary Companies 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 2021 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 IAS/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 financial statements for the year ended 31 December 2021 have been prepared on a going concern basis, as the Directors have verified that there are no profitability, financial, operational 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 earnings 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 is disclosed by presenting current and non-current assets and liabilities separately from current and non-current liabilities, with a description in the notes, for each item of assets and liabilities, of the amounts that are expected to be settled or recovered within or after 12 months from the date of reference of the Consolidated Financial Statements.
- **income statement:** the classification of costs 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 result of the consolidated statement of comprehensive income, also the transactions that took place directly with the shareholders who acted in this capacity and the details of each individual component. 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 17 March 2022.

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 operations, i.e. the operations 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 amounts 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 at the date of the original acquisition and in the changes in net 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.

During the first half of 2021 the Parent completed the purchase of 55% of Coverlab S.r.l. The Company was consolidated on a line-by-line basis starting 30 June 2021.

Scope of consolidation

The consolidated financial statements as at and for the year ended 31 December 2021 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 controls according to the definition in IFRS 10.

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

Company	Office	Currency	Share /quota Capital	ownership %	
				Direct	Indirect
Cellularline S.p.A.	Italy (Reggio Emilia)	EUR	21,343,189	-	-
Cellular Spain S.L.U.	Spain (Madrid)	EUR	3,006	100%	-
Cellular Immobiliare Helvetica S.A.	Switzerland (Lugano)	CHF	100,000	100%	-
Cellular Inmobiliaria S.L.U.	Spain (Madrid)	EUR	3,010	100%	-
Pegaso S.r.l.	Italy (Reggio Emilia)	EUR	70,000	75%	-
Systema S.r.l.	Italy (Reggio Emilia)	EUR	100,000	-	75%
Worldconnect AG	Switzerland (Diepoldsau)	CHF	100,000	80%	
Coverlab S.r.l.	Italy (Rimini)	EUR	68,890	55%	

It is specified that the companies Pegaso S.r.l., Systema S.r.l., Worldconnect S.r.l. and Coverlab S.r.l. are 100% consolidated by virtue of Put/Call contracts signed by the Parent Company, which regulate the purchase of the remaining shares of the subsidiaries. As previously described, during 2021 the Group acquired the company Coverlab S.r.l., this company has been consolidated as of 30 June 2021.

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 values 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 are non-observable variables 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.

Impairment test on Goodwill and Customer Relationship

Goodwill

The Group tests 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 09 March 2022 an d the results were approved on 17 March 2022, 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.
On March 9, 2022, the Company's Board of Directors approved the 2022-2025 Business Plan, which contains the Group's strategic guidelines and medium/long-term objectives, which are broken down as follows: (i) Brands and Products; (ii) Italian market; (iii) Priorities of the international market; (iv) Travel Retail and optimisation of other distribution channels; (v) E-commerce; (vi) Organisation, Processes and Digitisation; (vii) ESG; (viii) M&A.
The estimate of the expected operating cash flows, based on the 2022-2025 Business Plan, was used for impairment testing purposes. The Directors deemed it appropriate to extend the Plan's time horizon to four years, also considering ESMA's recommendations.
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 are sufficiently covered.

Customer relationships

As explained in detail in the Directors' Report, 2021 was affected by the epidemic and the global spread of COVID-19, with a significant impact on the Company's business.
The management has carried out an analysis to verify the possible need to subject these intangible assets with a finite useful life to an impairment test, considering - as provided for by IAS 36 - the possible presence of internal and external indicators. The company identified as an impairment indicator the loss of value of EUR 4 million related to Cellularline's customer relationship - resulting from the 2018 business combination - carried out as of 31 December 2020.
The Group tested at 31 December 2021, , any loss in value of the customer relationship recognised as an asset with a finite useful life for impairment. The value configuration at fair value was used, in continuity with what was done during the Purchase Price Allocation, through the updating of the assumptions at the reporting date.
The estimate of the expected operating cash flows, derived from the Cellularline Group 2022-2025 Business Plan, which also reflects the expected impact of COVID-19, 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 Relationships in previous years;
- the financial parameters to be used to discount the above cash flows.

The Group has not identified impairment indicators related to the Customer Relationship that emerged during the Purchase Price allocation of Worldconnect, considering: (i) the constancy of the financial parameters underlying the calculation used in the PPA carried out in 2020; (ii) the substantial consistency of the churn rate used to calculate the customer relationship in the PPA; the main economic and financial indicators relating to the company that were included in the plan prepared by management.

The Group has not identified any impairment indicators related to the commercial agreement that arose during the Purchase Price Allocation of Systema considering that: (i) the commercial relationship with the main customer is still in place; (ii) the main economic and financial indicators relating to this type of sale are growing over the plan period.

Trademarks

Management has not identified impairment indicators related to these assets, considering: (i) the ample cover resulting from previous impairment tests carried out at 30 June 2021 and 31 December 2020; (ii) the consistency of the financial and non-financial parameters underlying the calculation; (iii) the consistency of the royalty rate in line with the parameter used at the time of the PPA; and (iii) the main economic and financial indicators of the plan prepared by management.

Receivables

The loss allowance reflects management's estimate of credit losses on trade receivables. The estimate of the allowance is based on the Group's expected losses, taking into account future expectations regarding the determination of the creditworthiness of counterparties, current and historical past due amounts, losses and collections, the monitoring of credit quality and projections regarding 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 2021, the measurement of inventories was affected by the pandemic, resulting in extraordinary write-downs and non-recurring scrap of a total of EUR 1,600 thousand.

Stock Grant plan

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

Recoverability of deferred tax assets

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

Provisions for risks

As it operates globally, the 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 profit or 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 2021 were as follows:

Currency	2021 average	31 December 2021	2020 average	31 December 2020
Euro/CHF	1.081	1.033	1.070	1.082

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:

Category	Amortisation rate
Development costs	50%
Cellularline customer relationship	7.7%
Software	33%
Licenses	33-50%
Cellularline trademark	5.5%
Interphone trademark	10%
Systema trade agreement	14%
Skross trademark	10%
Q2Power trademark	10%
Worldconnect customer relationship	7%
Worldconnect patents	10%
Other	33%

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

Some of the above items are detailed below.

Development costs

Costs 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 deriving from the FY 2020 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 tested customer relationships of Cellularline resulting from the 2018 business combinations, recognised as assets with finite useful lives for impairment. The value configuration at fair value was used, in continuity with what was done during the Purchase Price Allocation through the updating of the valuation parameters at the reference date of 31 December 2021.

The Group used an independent advisor to measure this item.

Finally, the original useful life of the customer relationship resulting from the acquisition of Worldconnect is estimated at 14 years.

Software, license and trademark costs

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 deriving from the recent acquisition of Worldconnect (in 2020). For the purpose of estimating the fair value, a royalty rate was considered, based on the analysis of comparable market transactions, and applied to the cash flows attributable to each asset. These flows were expressed net of marketing costs aimed at maintaining the intangible asset at the conditions in which it was at the measurement date and net of the related tax burden. The value of the asset is the sum of the present values of the cash flows.

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

The Skross brand - acquired in 2020 following the acquisition of the Worldconnect subsidiary - has an estimated useful life of 10 years.

The Group has not tested trademarks recognised as assets with finite useful lives for impairment with a finite useful life, given that no impairment indicators were detected on specific assets and the results of previous impairment tests showed significant cover.

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 (in 2020).

The Dual Excess Earnings Model (DEEM) had been used for the measurement at the time of initial registration of the Patents. 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 original estimated useful lives of these patents was 10 years.

The Group did not deem it necessary to verify, via an impairment test, any loss in value of these patents recognised as assets with a finite useful life, given that no impairment indicators were detected.

Trade agreement

The Purchase Price Allocation procedure, carried out following the acquisition of the company Systema S.r.l., saw the enhancement of a trade agreement with a leading international telephone operator. In 2006, Systema S.r.l. 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 did not deem it necessary to verify through an impairment test the possible loss of value of the above trade agreement recognised as an asset with a finite useful life, as no indicators of impairment were identified.

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.

Impairment test

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 - where impairment indicators have been detected - 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 cash-generating unit or asset is increased up to the new estimate of its recoverable amount and may not exceed the amount that would have been determined had no impairment loss been recognised. The reversal of an impairment loss is immediately recognised in profit or loss.
The Group used an independent advisor to measure this item.

Property, plant and equipment

Property, plant, machinery and industrial equipment used for the production or supply of goods and services are recognised at historical cost, net of accumulated depreciation and any impairment losses; the cost also includes any charge directly incurred to prepare the assets for 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.

Right-of-use assets

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 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 from the recognition of assets for the right of use and lease liabilities to leases with a term of less than 12 months;
- 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 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. 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

Financial assets and liabilities are accounted for and valued in accordance with IFRS 9.

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

The following are the main requirements for the derecognition of items recognised in the financial statements:

- 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 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 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 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 risks specific to the liability. When the discounting back is carried out, the increase in the provision due to the passing of time is recognised as a financial charge.

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 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 they will be received and 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 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.

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 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 the current IFRS 4. 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.

  With Regulation (EU) no. 2020/2097 of 15 December 2020, published in the Official Journal of the European Union on 16 December 2020, the IASB document "Extension of Temporary Exemption from the Application of IFRS 9 (Amendments to IFRS 4 Insurance Contracts)" was adopted. Entities with a predominant insurance business are permitted to continue to apply the requirements of IAS 39 Financial Instruments: Recognition and Measurement for the classification and measurement of financial instruments until IFRS 17 Insurance Contracts, which will replace the current IFRS 4, becomes effective. The temporary exemption from the application of IFRS 9 Financial Instruments is envisaged in order to avoid the volatility of the profit/(loss) for the financial year originating from the asymmetry between the valuation criteria envisaged by IFRS 9 for financial business and the valuation criteria of IFRS 4 for liabilities linked to insurance business.

  As the IASB Board in June 2020 decided to postpone the effective date of IFRS 17 from 1 January 2021 to 1 January 2023, the deadline for the temporary exemption to apply IFRS 9 was also accordingly extended by two years.

  Although the document published by the IASB does not include a specific effective date, the European endorsement regulation states that the amendments to IFRS 4 must be applied as from 1 January 2021 for financial years beginning on or after 1 January 2021.

  The introduction of the new standard did not have any significant effects on the financial report as at and for the year ended 31 December 2021;
- on 14 January 2021, Regulation (EU) 2021/25 of the Commission of 13 January 2021 was published, amending Regulation (EC) No. 1126/2008, which implemented, at a European level, the changes adopted on 27 August 2020 by the International Accounting Standards Board for the "Interest rate benchmarks reform - phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16", which take into account the consequences of the effective replacement of benchmarks for determining existing interest rates with alternative benchmarks. These amendments envisage specific accounting treatment to spread out over time the changes in the value of the financial instruments or lease contracts brought about by the change in the benchmark to determine interest rates, thereby avoiding any immediate impact on period profit (loss) and pointless transfers of hedges following the change in the benchmark used to determine interest rates.

  These amendments to the Regulations did not have a material impact on the financial report as of 31 December 2021;
- with Regulation (EU) no. 2021/1421 of 30 August 2021, published in the Official Journal of the European Union on 31 August 2021, the document "Rent concessions related to Covid-19 after 30 June 2021 (amendment to IFRS 16 Leases)" was adopted, which was approved by the IASB Board on 31 March 2021 and expanded the scope of the practical expedient for accounting for "rent concessions" obtained

by lessees as a direct result of the Covid-19 pandemic. With the 2021 Amendment, the IASB published amendments to IFRS 16 that move from 30 June 2021 to 30 June 2022 the final date to take advantage of the practical expedient for measuring leases if renegotiated lease payments have been made as a result of Covid-19. The lessee may elect to account for the concession as a variable fee in the period in which a lower payment is recognised.

For the IASB, the 2021 Amendment is applicable from the financial statements of financial years beginning on or after 1 April 2021, but early application is still permitted to financial statements of prior years whose publication has not yet been authorised as of 31 March 2021. Given that the EU endorsement regulation was published after the date on which the IASB document came into force, the European Commission deemed it appropriate to apply the provisions of the endorsement regulation retroactively. Specifically, Article 2 of the EU regulation states that "companies shall apply [the amendment to IFRS 16] from 1 April 2021 for financial years beginning on or after 1 January 2021 at the latest."

The provisions are applied retroactively and provide for the recognition of the cumulative effects in the opening shareholders' equity of the first annual financial statements in which the amendment to IFRS 16 is applied.

The following is a list of documents applicable beginning with the financial statements for financial years beginning 1 January 2021 described above:

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

(*) IASB Board document: entry into force as from financial years starting on or after 1 April 2021; early application is permitted also for financial statements not authorised for publication by 31 March 2021 (date of publication of the amendment to IFRS 16)

EU endorsement: the provisions of the EU endorsement regulation have retroactive effect and, therefore, the amendment to IFRS 16 must be applied no later than 1 April 2021 for financial years beginning on or after 1 January 2021.

With the exception of the above, this Annual Financial Report has been prepared using the same accounting standards applied by the Group for the preparation of the Consolidated Financial Statements as at and for the year ended 31 December 2020.

2.6 Standards, amendments and interpretations approved by the European Union, not yet applicable and not adopted in advance by the Company as at 31 December 2021

Below are the new accounting standards or amendments to the standards, applicable for financial years beginning after 1 January 2022, whose early application is permitted. The Company has decided not to adopt them in advance for the preparation of these financial statements.

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

- amendments to IFRS 3 - Reference to the Conceptual Framework: the amendments update the reference in IFRS 3 to the Conceptual Framework in the revised version, without entailing any changes to the provisions of the standard. With the amendment to IFRS 3, the new definitions of assets and liabilities in the new Conceptual Framework published in March 2018 will have to be used to identify the assets and liabilities of the acquiree, with the exception of liabilities assumed in the acquiree, which after the acquisition date are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies;
- amendments to IAS 16 - Property, plant and equipment: proceeds before intended use: the IASB Board has clarified that the proceeds from the sale of goods produced by an asset during the period prior to the date on which the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management must be recognised in profit/(loss) for the period. As a result of the above amendment, it will no longer be permitted to recognise as a direct reduction of the cost of the asset income from the sale of goods produced before the asset is available for use, for example, from the sale of samples produced during the testing phase of the proper functioning of the asset;
- amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract: the IASB Board clarified that the costs necessary for fulfilling a contract include all the costs directly related to the contract and therefore include
- incremental costs, i.e., costs that would not have been incurred in the absence of the contract (e.g. raw materials, direct labour costs, etc.)
- a portion of other costs that, although not incremental, are directly related to the contract (e.g. portion of depreciation of assets used to perform the contract).

  The IASB Board, moreover, confirmed that, before recognising a provision for onerous contract, the entity must recognise any impairment losses on non-current assets and clarified that impairment losses must be determined with reference not only to assets fully dedicated to the contract, but also to other assets that are partially used to fulfil the contract;
- improvements to IFRS - 2018-2020 cycle (Amendments to IFRS 1, IFRS 9 and IAS 41): the Improvements to IFRS Standards are the result of the annual improvement process aimed at resolving non-urgent issues related to inconsistencies or unclear terminology identified in the International Financial Reporting Standards. It should be noted that the document "Improvements to IFRS - 2018-2020 cycle" also includes an amendment to IFRS 16 that is not subject to endorsement by the European Union as it relates to an illustrative example that is not an integral part of IFRS 16.

These amendments, endorsed by the European Union on 28 June 2021 (EU Regulation no. 2021/1080), will apply from financial years beginning 1 January 2022 and are not expected to have a material impact on the Company's financial statements. Early application is permitted.

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

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

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

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 2021

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 2021.

The following documents will only become applicable after EU endorsement:

Document title	Issue date	Date of entry into force	Date of EU endorsement regulation and publication date
IFRS 17 Insurance Contracts (including amendments published 25 June 2020)	18 May 2017 25 June 2020	1 Jan. 2023	19 Nov. 2021 (EU) 2021/2036 23 Nov. 2021
Classification of liabilities as current or non-current (amendments to IAS 1) + Deferral effective date (*)	23 Jan. 2020 15 July 2020	1 Jan. 2023	TBD
Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	12 Feb. 2021	1 Jan. 2023	TBD
Definition of accounting estimates (Amendments to IAS 8)	12 Feb. 2021	1 Jan. 2023	TBD
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	7 May 2021	1 Jan. 2023	TBD
Initial application of IFRS 17 and IFRS 9 - Comparative information (Amendment to IFRS 17)	9 Dec. 2021	1 Jan. 2023	TBD

(*) A project is underway by the IASB Board to modify the requirements of the document published in 2020 and to postpone its entry into force to 1 January 2024. The Exposure Draft was released on 19 November 2021.

List of documents not subject to EU approval:

Document title	Issue date	Date of entry into force	EU approval
IFRS 14 - Regulatory deferral accounts	30 Jan. 2014	1 Jan. 2016 (*)	Unplanned
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	11 Sep. 2014 17 Dec. 2015	Indefinite (**)	Unplanned

IFRS 14 came into force starting 1 January 2016, but the European Commission decided to suspend the endorsement process pending the new accounting standard on "rate-regulated activities".

(**) In December 2015, the IASB Board published the document "Effective date of amendments to IFRS 10 and IAS 28" by which it removed the mandatory effective date (which was scheduled for 1 January 2016) pending completion of the equity method project.

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

The following are notes to the main assets and liabilities in the consolidated financial statements as at 31 December 2021 and 31 December 2020.

ASSETS

NON-CURRENT ASSETS

3.1 Intangible assets

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.

intangible assets, broken down by category as at 31 December 2021 and 31 December 2020, are shown below:

(In thousands of Euro)	**Net value as 31 December 2020**	**Increases**	**Acquisitions**	**(Amortisation)**	**(Decreases /Write-downs)**	**Reclassifications**	**Provision use**	**Exchange difference**	**Net value as 31 December 2021**
Development costs	1,100	1,231	28	(1,298)	-	3	-	16	1,080
Industrial patents and intellectual property rights	5,030	1,105	-	(1,795)	(3)	38	2	149	4,526
Concessions, licenses, trademarks and similar rights	20,381	16	54	(1,500)	-	-		134	19,085
Customer relationships	48,379	-	-	(5,111)	(7,174)	-		139	36,233
Assets under construction and payments on account	49	423	-	-	-	(41)		-	431
Other	1	-	-	-	(1)	-		-	-
Total intangible assets	**74,940**	**2,775**	**82**	**(9,704)**	**(7,178)**	**0**	**2**	**438**	**61,355**

Changes in intangible assets between 31 December 2020 and 31 December 2021, are shown below:

(In thousands of Euro)	
Balance as at 31 December 2020	**74,940**
Increases	2,775
Business combinations	82
(Decreases)	(4)
Provision use	2
Exchange difference	438
(Depreciation, amortisation and write-downs)	(9,704)
Impairment test	(7,174)
Balance as at 31 December 2021	**61,355**

With reference to the financial statements at 31 December 2021, it should be noted that the Group made investments of EUR 2,775 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 1,231 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, equal to EUR 1,105 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.

Please refer to IFRS 3 for details of the assets acquired in connection with the acquisition of Coverlab S.r.l..

In connection with the preparation of the 2022 - 2025 strategic plan, in-depth analyses were carried out in order to identify possible indicators of impairment of intangible assets with a finite useful life.

These analyses revealed a potential indicator of impairment limited to Cellularline's Customer Relationship and it was therefore deemed essential to carry out an impairment test of the carrying amount of this asset only.

The results of the impairment test determined that the fair value of Cellularline's Customer Relationship is lower than its net book value, resulting in an impairment loss of EUR 7,174 thousand.

3.1.1 Impairment test on Customer Relationship

As at 31 December 2021, the customer relationship with a finite useful life pertaining to Cellularline recognised in the consolidated financial statements amounted to EUR 36,233 thousand, net of accumulated amortisation and impairment losses.

In accordance with IAS 36, in order to test the customer relationship recognised in the financial statements as at and for the year ended December 31, 2021 for impairment, the Directors carried out a specific impairment test, also through the assistance 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 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 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 need to record an impairment of EUR 7,174 thousand in the value of Customer Relationship.

3.2 Goodwill

The details of Goodwill asat 31 December 2021 and 31 December 2020 are shown below:

(In thousands of Euro)	**Balance as at**	
	31 December 2021	**31 December 2020**
Goodwill	108,773	106,408
Total Goodwill	**108,773**	**106,408**

The changes in Goodwill between 31 December 2020 and 31 December 2021 are shown below:

(In thousands of Euro)	**Goodwill**
Balance as at 31 December 2020	**106,408**
Acquisitions	1,848
Exchange difference	517
Increases	-
(Impairment losses)	-
Balance as at 31 December 2021	**108,773**

Goodwill asat 31 December 2021, amounting to EUR 108,773 thousand, increased compared with 31 December 2020 mainly because of the gain of EUR 1,848 thousand, which arose from the application of IFRS 3 (explained below) following net assets acquired from Coverlab.

IFRS 3

On 11 June 2021, Cellularline S.p.A. completed the acquisition of 55% of the share capital of Nicotina Group S.r.l. (today Coverlab S.r.l.), an innovative e-commerce company and one of Italy's leaders in the custom smartphone accessories segment.

The price of 55% of the share capital of Coverlab, came to EUR 295 thousand.

In accordance with the investment agreement, Cellularline and the non-controlling shareholders of Coverlab S.r.l. will have the power to exercise, in multiple tranches, their respective put & call options over the remaining non-controlling interest, respectively equal to 15% (up until the approval of the financial statements for the year ended 31 December 2024) ad 30% (up until the approval of the financial statements for the year ended 31 December 2026), of the share capital of Coverlab.

At the end of the period, the liability for the purchase of each tranche comes to EUR 1,700 thousand. The price for the purchase of the non-controlling interest may be paid, fully or partly, with Cellularline shares.

As required by IFRS 3, the difference between the price paid and the provisional fair value (corresponding to the carrying amount) of the net assets acquired was preliminarily attributed for EUR 1,848 thousand to goodwill.

Below is the fair value of the net assets acquired:

(In thousands of Euro)	**30.06.2021**
Property, plant and equipment	9
Intangible assets	50
Inventories	29
Cash and cash equivalents	109
Total assets acquired	**197**
Financial liabilities	(2)
Other liabilities	(6)
Trade payables	(43)
Total liabilities assumed	**(50)**
Total acquired equity	**147**
Goodwill	1,848
Price paid	**1,995**

Accounting effects of the business combination

It should be noted that, at the time of the acquisition of Coverlab s.r.l., Cellularline adopted the option, as provided for by IFRS 3, chose to make a provisional allocation to goodwill of the cost of the business combinations to the fair value of the assets acquired, the liabilities and potential liabilities assumed. If any new information should be obtained within one year from the acquisition date relating to facts and circumstances existing at the acquisition date leads to adjustments to the amounts disclosed or to any further provisions existing at the acquisition date, the accounting for the acquisition will be revised. The accounting standard for business combinations is IFRS 3, which requires that all business combinations be accounted for by applying the "acquisition method".

Goodwill arising from the acquisition was recognised as shown in the table below:

(In thousands of Euro)	**11 June 2021**
Total consideration transferred	1,995
Fair value of net identifiable assets	(147)
Goodwill	**1,848**

3.2.1 Impairment test on goodwill

As at 31 December 2021, goodwill recognised in the Group's consolidated financial statements amounted to EUR 108,773 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 Coverlab in 2021. 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 and Worldconnect in previous years. 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) 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 an impairment loss on assets other than goodwill subsequently ceases to exist or decreases, the carrying amount of the cash-generating unit or asset is increased up to the new estimate of its recoverable amount and may not exceed the amount that would have been determined had no impairment loss been recognised.

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

In accordance with the applicable standard (IAS 36), to test goodwill for impairment at 31 December 2021, 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 09 March 2022, for the period 2022-2025, and using the discounted cash flow model.

This criterion is based on the general concept that the Enterprise 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 (or "WACC") of approximately 7.7% and an estimated sustainable growth rate ("g") of 1.39%. 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 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 287.0 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:

- WACC and 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 considered, and on the Equity Value understood as the difference between value in use and the net financial position (NFP) at the balance sheet date (figures in EUR millions).

Sensitivity on cover: WACC and g-rate (€ milion)

		WACC				
		-2,0%	-1,0%	Entity	+1,0%	+2,0%
		6,7%	7,2%	7,7%	8,2%	8,7%
g-rate	0,4%	53,1	29,4	9,1	(8,7)	(24,4)
	0,9%	73,1	48,8	25,6	5,5	(12,0)
	1,4%	102,8	71,0	44,3	21,4	1,7
	1,9%	136,3	98,4	67,0	40,6	18,0
	2,4%	176,8	103,9	93,6	62,6	36,6

Sensitivity on cover: WACC and g-rate (€ milion)

		WACC				
		-2,0%	-1,0%	Entity	+1,0%	+2,0%
		6,7%	7,2%	7,7%	8,2%	8,7%
g-rate	0,4%	258,4	232,8	214,4	196,6	181,0
	0,9%	281,4	254,2	230,9	210,8	193,3
	1,4%	308,2	276,4	249,6	226,8	207,1
	1,9%	341,7	303,8	272,4	245,9	223,4
	2,4%	382,2	336,2	298,9	268,0	242,0

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

Sensitivity on cover: WACC and EBITDA (€ milion)						
				WACC		
		-2,0%	-1,0%	Entity	+1,0%	+2,0%
		6,7%	*7,2%*	*7,7%*	*8,2%*	*8,7%*
EBITDA	-	102,8	71,0	44,3	21,4	1,7
	(2,5%)	92,3	71,5	35,5	13,3	(5,9)
	(5,0%)	81,8	51,9	26,6	5,1	(13,5)
	(7,5%)	71,3	42,3	17,8	(3,2)	(21,0)
	(10,0%)	60,8	32,7	9,0	(11,2)	(28,6)

Sensitivity on cover: WACC and EBITDA (€ milion)						
				WACC		
		-2,0%	-1,0%	Entity	+1,0%	+2,0%
		6,7%	*7,2%*	*7,7%*	*8,2%*	*8,7%*
EBITDA	-	308,2	276,4	249,6	226,8	207,1
	(2,5%)	297,7	266,8	240,8	218,6	199,5
	(5,0%)	287,2	257,2	232,0	210,5	191,9
	(7,5%)	276,6	247,6	223,2	202,3	184,3
	(10,0%)	266,1	238,0	214,4	194,2	176,7

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 2021 and 31 December 2020, is shown below:

(In thousands of Euro)	**Net value as 31 December 2020**	**Increases**	**Acquisitions**	**(Amortisation)**	**(Decreases/Write -downs)**	**Exchange difference**	**Reclassifications**	**Use of provision**	**Net value as 31 December 2021**
Land and buildings	5,163	12		(174)		50			5,051
Plant and machinery	458	33		(185)	(13)	2		13	308
Industrial and commercial equipment	2,133	614	10	(908)	(216)	34	91	201	1,959
Assets under construction and payments on account	169	91					(91)		169
Total intangible assets	**7,924**	**750**	**10**	**(1,267)**	**(229)**	**86**	**-**	**214**	**7,487**

The changes in Property, plant and equipment between 31 December 2020 and 31 December 2021 are shown below:

(In thousands of Euro)	
Balance as at 31 December 2020	**7,924**
Increases	750
Acquisitions of business units	10
(Decreases)	(229)
(Amortisation and impairment losses)/revaluations	(1,267)
Exchange difference	86
Decrease in accumulated depreciation	214
Balance as at 31 December 2021	**7,487**

As at 31 December 2021 the item consisted mainly of buildings used as the operating offices of Group companies for EUR 5,051 thousand and industrial and commercial equipment for EUR 1,959 thousand (mainly furniture, furnishings, office equipment and moulds).

The Group made capital expenditure of EUR 750 thousand, mainly relating to industrial and commercial equipment.

3.4 Right-of-use assets

This item, amounting to EUR 1,774 thousand (EUR 1,749 thousand as at 31 December 2020), 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 2020	**1,749**
Increases	979
Exchange difference	12
(Decreases)	(70)
(Amortisation)	(896)
Balance as at 31 December 2021	**1,774**

The increases recognised in the year, equal to EUR 979 thousand, mainly refer to the agreement of new contracts to lease cars and commercial vehicles.

3.5 Deferred tax assets and liabilities

Changes in Deferred tax assets and liabilities broken between 31 December 2020 and 31 December 2021 are shown below.

Deferred tax assets

(In thousands of Euro)	
Balance as at 31 December 2020	**1,782**
Accruals/(releases) in profit or loss	2,967
Accruals/(releases) in comprehensive Income	(1)
Balance as at 31 December 2021	**4,748**

The balance as at 31 December 2021, amounting to EUR 4,748 thousand, includes EUR 2,967 thousand for deferred tax assets, amortisation/depreciation and write-downs that were temporarily non-deductible, 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 mainly on temporarily non-deductible costs, for a total of EUR 252 thousand.

Compared with the previous year, the Parent Company has recognised deferred tax assets for IRES and IRAP calculated on the amortisation of the Customer Relationship and the Cellularline and Interphone trademarks for EUR 1,265 thousand and on the write-down deriving from the impairment test on the Customer Relationship for EUR 2,002 thousand.

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

The rule also provided the following two additional alternatives:

- maintenance of the deduction over 18 years against payment of the ordinary substitute tax on the franking of extraordinary transactions (12%, 14% and 16% for revaluations of up to 5 million, between 5 million and 10 million and over 10 million, respectively), in 2 equal instalments in 2022 and 2023, from which the substitute tax already paid will be deducted);
- revocation of the realignment for tax purposes, with repayment or right to offset the substitute tax already paid, in accordance with procedures to be defined by a future measure.

Considering that:

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

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

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

- the tax regulations 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.

Deferred tax liabilities

(In thousands of Euro)	
Balance as at 31 December 2020	**2,552**
Accruals/(releases) in profit or loss	(191)
Accruals/(releases) in comprehensive Income	(12)
Balance as at 31 December 2021	**2,349**

Deferred tax liabilities as at 31 December 2021 are primarily attributable to the deferred taxation arising from 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 in the year, equal to EUR 203 thousand, is mainly due to the release of deferred taxes on the amortisation of the PPA pertaining to the year, equal to EUR 160 thousand.

3.6 Financial assets

As of 31 Dicember 2021 there were no financial receivables (EUR 555 thousand as at 31 December 2020), as the Group received the repayment of the financial receivable due from the associate company Cellular Swiss (measured using the equity method) during the second half of 2021. This receivable had been disbursed on 12 June 2019, when the 2018 financial statements of the associated company were approved, part of the amount due to the parent was subordinated claimed by the Parent from this company, in the amount of CHF 600 thousand.

CURRENT ASSETS

3.7 Inventories

Inventories as at 31 December 2021 amounted to EUR 30,518 thousand, net of the allowance for inventory write-down of EUR 1,442 thousand. Inventories include those at the Group's warehouses and goods in transit, for which the Group has already acquired ownership, for EUR 3,493 thousand (EUR 2,417 thousand as at 31 December 2020).

Inventories are made up as follows:

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Finished products and goods	26,715	31,049
Goods in transit	3,493	2,417
Advances	1,752	1,028
Gross inventories	**31,960**	**34,494**
(Allowance for inventory write-down)	(1,442)	(1,531)
Total Inventories	**30,518**	**32,963**

The decrease of EUR 2,534 thousand in gross inventories, compared to 31 December 2020, is mainly due to the following factors:

- decrease of EUR 4,334 thousand due to the gradual reabsorption of stock as a result of efficient procurement management, despite the recurrence of the fourth Covid-19 wave slowing down sales in the second part of the fourth quarter of 2021;
- an increase in goods in transit and advances of EUR 1,800 thousand due to the policy of bringing forward supplies in order to mitigate possible delays deriving from uncertainties in the global supply chain.

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

Changes in allowance for inventory write-down between 31 December 2020 and 31 December 2021 are shown below:

(In thousands of Euro)	**Allowance for inventory write-down**
Balance as at 31 December 2020	**(1,531)**
(Accruals)	(1,200)
Exchange difference	(11)
Acquisition	-
Utilisations	1,300
Balance as at 31 December 2021	**(1,442)**

Provisions made relate to the analysis of slow moving products faced with 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 utlisation of the allowance for EUR 1,300 thousand refers to partial scrapping of obsolete materials during 2021.

3.8 Trade receivables

At 31 December 2021 this item amounted to EUR 52,117 thousand, net of the loss allowance of EUR 3,436 thousand (EUR 52,704 thousand at 31 December 2020).

The breakdown of Trade receivables as at 31 December 2021 and 31 December 2020 are shown below:

(In thousands of Euro)	**Balance as at**	
	31 December 2021	**31 December 2020**
Trade receivables from third parties	50,557	50,837
Trade receivables from related parties (Note 5)	4,996	5,244
Gross trade receivables	**55,553**	**56,081**
(Loss allowance)	(3,436)	(3,377)
Total trade receivables	**52,117**	**52,704**

Gross trade receivables is substantially in line with the previous year, confirming the improved management of collections and the solvency of the Group's customers.

Changes in the loss allowance as at 31 December 2021 are shown below:

(In thousands of Euro)	Loss allowance
Balance as at 31 December 2020	**(3,377)**
(Accruals)	(216)
Releases to profit or loss	.
Utilisations	157
Balance as at 31 December 2021	**(3,436)**

Impaired assets refer mainly to disputed amounts or customers subject to bankruptcy proceedings. The utilisations reflect amounts that, based on certain, precise information or pending bankruptcy procedures were impaired in full. As shown in the tables above, the loss allowance amounted to EUR 3,436 thousand as at 31 December 2021 and to EUR 3,377 thousand as at 31 December 2020.

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 analyses 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 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	31 December 2021	31 December 2020
Tax asset of prior years	-	1,504
Receivables from tax authorities for current taxes	1,214	-
Credit for withholding taxes on interest income	-	24
Total current tax assets	**1,214**	**1,528**

Current tax assets mainly include the following items recognised in the Parent's financial statements: (*i*) the receivable from the tax authorities for tax consolidation, amounting to EUR 760 thousand; (*ii*) the tax credit for higher advances paid compared to the amount due for the year 2021, amounting to EUR 217 thousand, (*iii*) the credit for taxes for which reimbursement has been requested, amounting to EUR 115 thousand and (*iv*) the credit for research, development, innovation and design amounting to EUR 104 thousand.

3.10 Financial assets

Financial assets amount to EUR 60 thousand (108 thousand as at 31 December 2020) and mainly refer to guarantee deposits. The decrease compared with the previous year relates to changes in Vanilla Option derivative contracts on USD purchases to hedge the exchange rate risk for purchases from suppliers in the Far East, settled in accordance with industry practice in USD. 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 assets as at 31 December 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	31 December 2021	31 December 2020
Prepaid expenses	3,971	4,244
Amounts due from others	977	536
Total Other current assets	**4,948**	**4,780**

This item mainly includes prepaid expenses referring to the advance payment of contributions to customers following the long-term trade agreements.

Amounts due from others increased compared with the previous period, primarily due to amounts due from the tax authorities for VAT for the period recognised by the Parent Company.

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 fair value and are used by the group to manage short-term commitments.

The breakdown of Cash and cash equivalents as at 31 December 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	Balance as at	
	31 December 2021	31 December 2020
Bank accounts	8,112	8,616
Cash on hand	26	13
Total Cash and cash equivalents	**8,138**	**8,629**

Cash and cash equivalents amount to EUR 8,138 thousand as at 31 December 2021 (EUR 8,629 thousand as at 31 December 2020). The item consists of cash on hand, securities and demand deposits or short-term deposits with banks that are currently available and readily usable. This item is substantially in line with the previous year, despite the positive cash flow generated during the year as a result of the following factors:

- the payment of instalments on the outstanding bank loan for EUR 10,000 thousand, partially offset by the increase in bank loans and borrowings following the loans received from Worldconnect for EUR 484 thousand.
- the disbursement of approximately EUR 5,325 thousand regarding the payment of the second tranche for the purchase of 80% of the company Worldconnect.
- outlay of approximately EUR 295 thousand for the purchase of 55% of the subsidiary Coverlab S.r.l.

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

EQUITY AND LIABILITIES

3.13 Equity

Equity was EUR 205,359 thousand (EUR 208,455 thousand at 31 December 2020), having decreased mainly as a result of the period loss.

During the year ended 31 December 2021, there were no assets allocated for specific deals.

Share capital

The share capital as at 31 December 2021 amounts to EUR 21,343, divided into 21,868,189 ordinary shares.

In June 2021, as envisaged by the provisions of its articles of association, the Company automatically converted 195,000 special shares into ordinary shares. In accordance with this provision of the articles of association, the 195,000 special shares were converted at a ratio of one ordinary share for every special share held and, therefore, into a total of 195,000 new-issue ordinary shares in Cellularline, with no change to the amount of the share capital. Upon completion of the conversion, the Company's share capital consists of 21,868,189 ordinary shares with no nominal value (21,673,189 at 31 December 2020).

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), including them in the STAR segment.

Other reserves

As at 31 December 2021, other reserves amounted to EUR 159,174 thousand (EUR 157,761 thousand as at 31 December 2020) and were mainly broken down as follows:

- share premium, which amounts to EUR 139,997 thousand, including EUR 59,253 in suspended taxation following the realignment of trademarks and customer relationships.
- Other reserves amounting to EUR 34,445 thousand which mainly originated as a result of the effects of the application of the IFRS and the Business Combination which took place in 2018;
- Treasury shares of EUR 15,189 thousand; during 2021 there were no movements either in purchase or sale, leaving the balances at the beginning of the financial year unchanged.

Retained earnings

As at 31 December 2021, retained earnings from consolidation amounted to EUR 28,688 thousand.

Profit for the year attributable to owners of the parent

2021 ended with a loss for the year attributable to the owners of the parent of EUR 3,846 thousand.

Share-based payment arrangements

In 2021, the Group approved a Stock Grant Plan, which envisages the award of rights to certain employees to receive Company shares free of charge.

The free award of such rights to receive shares comes under the scope of the "Cellularline S.p.A. 2021-2023 Incentive Plan", submitted for approval by the ordinary shareholders' meeting on 28 April 2021.
The following table summarises the main conditions of the stock grant plan:

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

(*) The number of instruments reported refers to the first tranche of awards of the three-year cycle, of which 55,000 assigned to CEOs and key managers

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

(i) the Relative Total Shareholder Return (or Relative TSR) is the share performance objective and contributes towards the incentive variable remuneration envisaged by the Plan (in the form of shares), weighing for 70%,
(ii) the Consolidated Three-Year Adjusted EBITDA is the corporate performance objective and contributes towards the incentive variable remuneration envisaged by the Plan (in the form of shares), weighing for 30%.
As at 30 June 2021, in accordance with IFRS 2, the valuation regarded the total fair value of the approved plan.
The "market based" component (Relative Total Shareholder Return) has been estimated using a stochastic simulation with the Monte Carlo Method, which, on the basis of suitable hypotheses, made it possible to define a significant number of alternative scenarios over the time frame considered.
The "non-market based" component was valued at the reporting date to account for expectations regarding the number of rights that may vest.

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 2021 and those reported in the consolidated financial statements as at the same date (in Euro thousands).

RECONCILIATION OF PARENT'S EQUITY WITH CONSOLIDATED EQUITY	Equity as at 31/12/2019	Profit for 2020	Equity as at 31/12/2020	Profit for 2021	Equity as at 31/12/2021
Cellularline S.p.A.	**203,615**	**13,190**	**208,935**	**(4,862)**	**204,125**
IFRS effects	(2,368)	1,381	10,652	(511)	10,695
Differences between the adjusted equity of consolidated companies and their value in the Parent's financial statements	2,279	(765)	(10,488)	1,113	(9,230)
Measurement of Cellular Swiss at equity	(443)	346	(97)	122	25
Derecognition of intra-group gains	(294)	(252)	(546)	292	(256)
Cellularline Group	**202,519**	**13,900**	**208,455**	**(3,846)**	**205,359**

3.14 financial liabilities (current and non-current)

The breakdown of Financial liabilities (current and non-current) as at 31 December 2021 is shown below:

(In thousands of Euro)	Balance as at	
	31/12/2021	**31/12/2020**
Current bank loans and loans and borrowings from other financial backers	10,129	10,039
Non-current bank loans and loans and borrowings from other financial backers	25,642	35,027
Total financial liabilities	**35,771**	**45,066**
Other current financial liabilities	2,285	6,668
Other non-current financial liabilities	7,493	5,961
Total other financial liabilities	**9,778**	**12,629**
Total financial liabilities	**45,549**	**57,695**

As at 31 December 2021, Bank loans and loans and borrowings from other financial backers come to EUR 35,771 thousand (EUR 45,066 thousand as at 31 December 2020) and mainly include:

- the bank loan of the Parent company, stipulated in October 2020 in the re-financing transaction for EUR 35,000 thousand, net of the amortised cost.
- the loan stipulated by the subsidiary Worldconnect, in connection with the Covid-19 emergency (CHF 500 thousand) for EUR 484 thousand, without interest.
- the loan stipulated by the subsidiary Worldconnect, in connection with the Covid-19 emergency (CHF 500 thousand) for EUR 484 thousand, which accrues interest at 0.8%.

The bank loan of the Parent, gross of bank fees, is shown below:

(In thousands of Euro)	Inception	Maturity	Original amount	Balance as at 31 December 2021		
				Outstanding debit	current portion	non-current portion
Banca Popolare di Milano	26/10/2020	20/06/2025	25,000	17,500	5,000	12,500
Intesa Sanpaolo S.p.A.	26/10/2020	20/06/2025	25,000	17,500	5,000	12,500
Financial liabilities			**50,000**	**35,000**	**10,000**	**25,000**

The bank loan payable to the above institutions is subject to economic and financial covenants. These covenants have been fully complied with as of 31 December 2021.

The agreement also provides for a credit line for M&A operations, amounting to EUR 20 million, aimed at supporting the growth strategy by granting external lines. This line is not currently used by the Group.

Loans are measured at amortised cost in accordance with IFRS 9 and therefore their carrying amount of EUR 34,771 thousand as at 31 December 2021 (EUR 45,066 thousand as at 31 December 2020), is reduced by transaction costs.

For details regarding the item Other financial liabilities (current and non-current), please refer to Note 3.20.

Below is a reconciliation of the net financial indebtedness (also adjusted) at 31 December 2021, of EUR 37,351 thousand, and at 31 December 2020, of EUR 48,958 thousand, according to the scheme envisaged by ESMA Guidance 32-382-1138 dated 4 March 2021 and indicated in the Consob Note 5/21 dated 29 April 2021:

	Balance as at		Changes	
(In thousands of Euro)	31 December 2021	31 December 2020	Δ	%
(A) Cash	8,138	8,629	(491)	-5.7%
(B) Other cash and cash equivalents	-	-	-	0.0%
(C) Other current financial assets	60	108	(48)	-44.4%
(D) Cash and cash equivalents (A)+(B)+(C)	**8,198**	**8,737**	**(539)**	**-6.2%**
(E) Current financial liabilities	2,285	6,668	(4,383)	-65.7%
(F) Current portion of non-current indebtedness	10,129	10,039	90	0.9%
(G) Current financial indebtedness (E) + (F)	**12,414**	**16,707**	**(4,293)**	**-25.7%**
- of which guaranteed	-	-	-	0.0%
- of which not guaranteed	*12,414*	*16,707*	*(4,293)*	*-25.7%*
(H) Net current financial indebtedness (G) - (D)	**4,215**	**7,970**	**(3,755)**	**-47.1%**
(I) Non-current financial indebtedness	33,135	40,988	(7,853)	-19.2%
(J) Debt instruments	-	-	-	0.0%
(K) Trade payables and other current liabilities	-	-	-	0.0%
(L) Non-current financial indebtedness (I)+(J)+(K)	**33,135**	**40,988**	**(7,853)**	**-19.2%**
- of which guaranteed	-	-	-	0.0%
- of which not guaranteed	*33,135*	*40,988*	*(7,853)*	*-19.2%*
(M) NET FINANCIAL INDEBTEDNESS (H) + (L)	**37,351**	**48,958**	**(11,607)**	-23.7%
Other financial liabilities - warrants	(1,226)	(653)	(573)	87.7%
Adjusted net financial indebtedness	**36,125**	**48,303**	**(12,178)**	**-25.2%**

A breakdown of the financial liabilities is shown below based on their maturity:

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Within 1 year	12,639	16,707
From 1 to 5 years	32,845	40,783
Over 5 years	65	205
Total	**45,549**	**57,695**

3.15 Employee benefits

At 31 December 2021, the item amounts to EUR 772 thousand (EUR 720 thousand at 31 December 2020) and derives from the actuarial valuations of the Italian companies' 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 0.98%, which was derived from the Iboxx Corporate AA index with a duration of 10+;
- annual inflation rate of 1.75%;
- annual rate of increase in the post-employment benefits of 2.813%, which is equal to 75% of inflation plus 1.5 percentage points.

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

3.16 Provisions for risks and charges

Changes in the Provisions for risks and chargesbetween 31 December 2020 and 31 December 2021 are shown below:

(In thousands of Euro)	**Provision to cover investee losses**	**Agents' severance indemnity provision (FISC)**	**Total**
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*
Accruals		94	94
Utilisations/Releases	(65)	(175)	(240)
Balance as at 31 December 2021	**0**	**1,616**	**1,616**
- of which current portion	-	-	
- of which non-current portion	-	*1,616*	*1,616*

The Agents' severance indemnity provision (FISC) refers to the valuation of the agents' severance indemnity of the Parent and of Systema for the amount that will be paid to agents for the termination of the agency relationship for events not attributable to the agent. The actuarial valuation, consistent with IAS 37, was carried out by quantifying future payments through the projection of the indemnity accrued at the balance sheet date by the agents operating until the presumed (random) termination of the contractual relationship. For actuarial valuations, demographic and economic-financial assumptions were adopted; specifically, the discount rate was set with reference to the IBoxx EUR ozone AA index in relation to the duration of the collective at 0.88%.

The provision to cover investee losses has been zeroed following the positive results obtained by the associate Cellular Swiss, in application of the equity method.

3.17 Trade payables

The breakdown of Trade payables as at 31 December 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Trade payables to third parties	19,531	14,555
Trade payables from related-party	294	930
Total trade payables	**19,825**	**15,485**

As of 31 December 2021, trade payables amounted to EUR 19,825 thousand and increased by 28% compared to 31 December 2020, mainly resulting from the different timing of procurement of goods implemented in order to mitigate possible delays in supplies from the Far East. These payables relate to commercial transactions within normal payment terms, all due within one year.

3.18 Current tax liabilities

The item, equal to EUR 1,230 thousand, mainly includes: (i) the residual liability for the substitute tax on the realignment of the statutory and tax amounts of the the Cellularline and Interphone brands and customer relationships, amounting to EUR 1,833 thousand, to be paid in two equal instalments in June 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 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Due to employees	1,849	1,884
Tax liabilities	1,031	1,183
Social security liabilities	949	969
Other payables	660	1495
Total Other liabilities	**4,489**	**5,531**

As at 31 December 2021, the item amounts to EUR 4,489 thousand (EUR 5,531 thousand as at 31 December 2020) and mainly consists of:

- EUR 1,849 thousand due to employees for wages to be settled and bonuses;
- tax liabilities of EUR 1,031 thousand (withholdings VAT);
- EUR 949 thousand due to social security institutions for contributions to be settled.

3.20 Other financial liabilities (current and non-current)

The breakdown of Other financial liabilities as at 31 December 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	Balance as at	
	31/12/2021	**31/12/2020**
Other current financial liabilities	2,285	6,668
Other financial liabilities (non-current)	7,494	5,961
Total other financial liabilities	**9,779**	**12,629**

As at 31 December 2021, Other financial liabilities come to EUR 9,779 thousand (EUR 12,629 thousand at 31 December 2020) mainly consists of:

- the financial liabilities relative to the put/call options and the agreements stipulated for the purchase of the remaining shares in the subsidiaries for EUR 6,103 thousand, of which EUR 4,403 thousand relative to Worldconnect, EUR 1,700 thousand relative to Coverlab and EUR 610 thousand relative to Systema;
- the financial liability relating to warrants amounting to EUR 1,226 thousand (reclassified under other current financial liabilities) issued by the Parent Company, expressed at the spot market price on 31 December 2021. On the basis of the parameters mentioned above and applying the Mark to Market approach, in addition to the outstanding liability as at 31 December 2021, a change in fair value of EUR 573 thousand was recognised in profit or loss as financial expense.
- the lease liability deriving from the application of IFRS 16 for EUR 1,839 thousand (EUR 1,140 at 31 December 2020).

We point out that in July 2021 the Parent Company paid the debt referring to the tranche for the purchase of 80% of the subsidiary Worldconnect amounting to EUR 5,325 thousand, as provided for by the acquisition agreement signed in 2020.

4. Notes to the income statement

The notes to the main items of the income statement with reference to the years ending 31 December 2021 and 31 December 2020 are provided below.

4.1 Revenue from sales

As at 31 December 2021, revenue from sales amounts to EUR 110,575 thousand (EUR 104,540 thousand as at 31 December 2020).

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)	Year ended				Change	
	31/12/2021	% of revenue	31/12/2020	% of revenue	Δ	%
Red – Italy	46,023	41.6%	45,006	43.1%	1,016	2.3%
Red – International	43,132	39.0%	42,021	40.2%	1,111	2.6%
Revenue from sales - Red	**89,155**	**80.6%**	**87,027**	**83.3%**	**2,127**	**2.4%**
Black – Italy	3,970	3.6%	3,050	2.9%	920	30.2%
Black – International	4,154	3.8%	4,056	3.9%	98	2.4%
Revenue from sales - Black	**8,124**	**7.3%**	**7,106**	**6.8%**	**1,018**	**14.3%**
Blue – Italy	9,086	8.2%	7,867	7.5%	1,219	15.5%
Blue – International	3,752	3.4%	2,292	2.2%	1,460	63.7%
Revenue from sales - Blue	**12,838**	**11.6%**	**10,160**	**9.7%**	**2,679**	**26.4%**
Other – Italy	**458**	**0.4%**	**247**	**0.2%**	**211**	**85.4%**
Total revenue from sales	**110,575**	**100.0%**	**104,540**	**100.0%**	**6,035**	**5.8%**

The Red product line, which represents approximately 80.6% of the Group's consolidated revenues, is the one that recorded growth of +2.4%, equal to EUR 2,127 thousand in 2021, with a positive contribution from both the domestic and international markets, both driven by the progressive normalisation of the socio-economic situation. The performance of foreign markets was still impacted by both the Covid-19 restrictions in certain countries (Germany and Benelux in particular) and the difficulties encountered in implementing the new route-to-market for the German market, only partially offset by the incremental positive contribution of Worldconnect (EUR 2.6 million), which, only in the fourth quarter, began to benefit from the first signs of recovery in the Airport Travel Retail channel, thanks to the reopening of certain international hubs.

The Black product line increased by 14.3% compared to 2020, thanks also to the good performance of the On-line channel.

Growth in the Blue product line (up 26.4% on 2020) is primarily driven by demand for Samsung brand products distributed in Italy, whilst it was penalised by the negative performance of the international Telco channel in Benelux, a market where restrictive measures, as previously mentioned, have been in place for longer.

Revenue from sales by geographical area

(In thousands of Euro)	Year ended				Change	
	31/12/2021	% of revenue	31/12/2020	% of revenue	Δ	%
Italy	59,537	53.8%	56,171	53.7%	3,366	6.0%
Spain/Portugal	11,003	10.0%	7,205	6.9%	3,798	52.7%
Eastern Europe	8,298	7.5%	5,638	5.4%	2,660	47.2%
DACH	8,207	7.4%	11,094	10.6%	(2,886)	-26.0%
Benelux	6,954	6.3%	9,511	9.1%	(2,557)	-26.9%
France	6,092	5.5%	6,846	6.5%	(754)	-11.0%
Northern Europe	5,354	4.8%	4,033	3.9%	1,321	32.7%
Middle East	1,536	1.4%	922	0.9%	614	66.5%
Others	3,594	3.3%	3,120	3.0%	474	15.2%
Total revenue from sales	**110,575**	**100%**	**104,540**	**100.0%**	**6,035**	**5.8%**

The growth of the Italian market, equal to 6.0% (EUR 3,366 thousand), is driven by the recovery of the domestic market following the progressive normalisation of the economic situation.

As regards international markets, a positive performance was registered in Spain, Eastern Europe, Northern Europe and the Middle East, whilst there was a decrease in the DACH area due to both the restrictions that have affected this area and the temporary effects deriving from the change in the route-to-market in Germany, as well as a decrease in the Benelux countries and in France due to the tighter restrictions resulting from the pandemic event.

4.2 Cost of sales

The cost of sales amounts to EUR 62,363 thousand in 2021 (EUR 59,615 thousand ain 2020) and mainly includes the costs of purchasing and processing raw materials (EUR 57,727 thousand), personnel expense (EUR 2,367 thousand), logistics costs (EUR 1,632 thousand) and related costs (EUR 637 thousand).

4.3 Sales and distribution costs

The following table shows details of sale and distribution costs:

in 2021, sales and distribution costs amount to EUR 26,334 thousand (EUR 22,823 thousand in 2020) and mainly consist of personnel expense (EUR 10,688 thousand), sales network commissions (EUR 5,405 thousand) and transport (EUR 7,371 thousand), as shown in the following table.

(In thousands of Euro)	Year ended			
	31/12/2021	**% of revenue**	**31/12/2020**	**% of revenue**
Sales and distribution personnel expense	10,688	9.7%	9,843	9.4%
Commissions to agents	5,405	4.9%	4,798	4.6%
Transport	7,370	6.7%	5,735	5.5%
Travel costs	656	0.6%	499	0.5%
Advertising and commercial consultancy expenses	1,561	1.4%	1,614	1.5%
Other sales and distribution costs	654	0.6%	334	0.3%
Total sales and distribution costs	**26,334**	**23.8%**	**22,823**	**21.8%**

In 2021, cost of sales and distribution amounted to EUR 26,334 thousand, compared to EUR 22,823 thousand in 2020.

The item had a 2.0% higher incidence on revenue than in the previous year, mainly due to: (i) the increase in transport costs recorded in particular in the fourth quarter; (ii) the increase in personnel expense deriving from both the acquisition of Worldconnect and the fact that in FY 2020, action was taken to rationalise costs and mitigate the impact tied to the first wave of COVID-19 (including CIGD, reducing top management salaries, etc.), action that has not been taken in 2021; and (iii) the increase in commission to agents deriving from an increased turnover mix.

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4.4 General and administrative costs

The following table shows the breakdown of other general and administrative costs:

(In thousands of Euro)	Year ended			
	31/12/2021	**% of revenue**	**31/12/2020**	**% of revenue**
Amortisation of intangible fixed assets	9,917	9.0%	9,114	8.7%
Depreciation of tangible fixed assets	1,897	1.7%	1,707	1.6%
Impairment of customer relationship	7,174	6.5%	4,013	3.9%
Provisions for risks and impairment losses	216	0.2%	139	0.1%
Administrative personnel expense	5,074	4.6%	4,691	4.5%
Administrative, legal and management consultancy	2,369	2.1%	2,691	2.6%
Commissions and fees	114	0.1%	137	0.1%
Directors' and Statutory Auditors' fees	947	0.9%	868	0.8%
Other general and administrative costs	2,699	2.4%	2,739	2.6%
Total general and administrative costs	**30,407**	**27.5%**	**26,099**	**25.0%**

General and administrative costs amounted to EUR 30,407 thousand in 2021, compared to EUR 26,099 thousand as at 2020.

General and administrative costs increase with respect to the previous period, due to the combined effect of: (i) the impairment of the customer relationship for EUR 7,174 thousand (EUR 4,013 thousand during the previous year); (ii) the increase in the amortisation of intangible fixed assets, of which EUR 6,432 deriving from the purchase price allocation (EUR 6,203 thousand during the previous year); (iii) the increase in personnel expense deriving from both the acquisition of Worldconnect and the action taken by management in 2020 to rationalise costs and mitigate the impact tied to the first wave of COVID-19 (including CIGD, reducing top management salaries, etc.); no such action was taken in 2021.

4.5 Other non-operating costs and revenue

The following table shows details of Other non-operating costs and revenue.

(In thousands of Euro)	Year ended			
	31/12/2021	**% of revenue**	**31/12/2020**	**% of revenue**
Recoveries of SIAE fees	475	0.4%	740	0.7%
Prior year income (expense)	(68)	-0.1%	(162)	-0.2%
(SIAE and CONAI contributions)	(663)	-0.6%	(866)	-0.8%
Other non-operating (expense)/revenue	3,628	3.3%	879	0.8%
Total other non-operating (expense)/revenue	**3,372**	**3.0%**	**591**	**0.6%**

Net other non-operating revenue for 2021 amounts to EUR 3,372 thousand and mainly refers to:

- the recovery of SIAE fees for EUR 475 thousand, offsetting the related costs of the same amount in the SIAE contributions item;
- contingent assets and liabilities amounting to EUR 68 thousand,

- other non-operating (costs)/revenues amounting to EUR 3,628 thousand, mainly consisting of the Härtefall contribution for EUR 2,267 thousand and increases for internal development work for EUR 913 thousand.

The item increases on 2020 by EUR 2,781 thousand; the increase is mainly due to the *Härtefallmassnahmen für Unternehmen in Zusammenhang mit der COVID-19-Epidemie* ("Härtefall"). The Härtefall is a contribution that the Department of Economic Affairs of the Canton of San Gallo disbursed to WorldConnect AG in May 2021. It is a government support offered to the businesses that have most suffered the decline in turnover as a result of the COVID-19 pandemic and aims to cover structural costs. The Swiss subsidiary WorldConnect AG, operating in the Airport Travel Retail segment, has seen a drastic reduction to turnover and this contribution (CHF 2,267 thousand or EUR 2,097 thousand), has allowed the company to offset the structural costs not covered by operating cash flow in 2020 and the early months of 2021, allowing it to successfully come through this period of business difficulties, limiting financial tension.

4.6 Financial income and expense

Net financial expense amounts to EUR 2,124 thousand (income of EUR 257 thousand as at 31 December 2020). The following table shows details of financial income:

(In thousands of Euro)	Year ended			
	31/12/2021	**% of revenue**	**31/12/2020**	**% of revenue**
Interest income and other financial income	2	0.0%	163	0.2%
Income from fair value change in put/call	-	-	1,747	1.7%
Fair value gains on warrants	-	-	796	0.8%
Total Financial income	**2**	**0.0%**	**2,706**	**2.6%**

The following table shows details of financial expense:

(In thousands of Euro)	Year ended			
	31/12/2021	**% of revenue**	**31/12/2020**	**% of revenue**
Interest expense on medium/long-term loans	(1,091)	-1.0%	(1,713)	-1.6%
Bank commissions and other financial expense from fair value	(949)	-0.9%	(664)	-0.6%
Other interest expense	(86)	-0.1%	(72)	-0.1%
Total Financial expense	**(2,126)**	**-1.9%**	**(2,449)**	**-2.3%**

Financial expense of EUR 2,126 thousand mainly refer to:

- EUR 1,091 thousand relative to interest to banks for the medium/long-term loan stipulated in October 2020 for an original amount of EUR 50,000 thousand (the residual debt at 31 December 2021 is EUR 35,000 thousand).
- EUR 573 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 2021);

- EUR 465 thousand mainly for charges deriving from transactions on the EUR/dollar exchange rate and charges relating to the non-utilisation of credit facilities.
- EUR 86 thousand for interest relating to leases.

4.7 Foreign exchange gains and losses

Foreign exchange gains and losses amounts to Euro 603 thousand (Euro 407 thousand in 2020).

(In thousands of Euro)	Year ended			
	31/12/2021	**% of revenue**	**31/12/2020**	**% of revenue**
Net foreign exchange gains/(losses) on trading	387	0.3%	329	0.3%
Net foreign exchange gains/(losses) on financial transactions	216	0.2%	78	0.1%
Net foreign exchange gains (losses)	**603**	**0.5%**	**407**	**0.4%**

The item Net foreign exchange gains/(losses) on trading refers to the adjustment of commercial items expressed in foreign currency as of the end of the period and the effect recorded among the financial components of the income statement, attributable to commercial transactions in USD.
The item Net foreign exchange gains/(losses) on financial transactions refers to the adjustment of items of a financial nature.

4.8 Gains and losses on equity investments

Income from investments amount to EUR 122 thousand at 31 December 2021 (EUR 345 thousand in the previous year) and refer exclusively to the write-back of the investment in the associate Cellular Swiss, consolidated using the equity method.

4.9 Income taxes

The breakdown of Income taxes for 2021 and 2020 is shown below:

(In thousands of Euro)	Year ended	
	31/12/2021	**31/12/2020**
Current taxes of the year	(769)	(1,726)
Substitute tax on realignment	-	(1,833)
Current taxes of previous years	267	31
Deferred taxes	3,211	19,826
Total income taxes	**2,710**	**16,297**

The item includes the charge for current taxes pertaining to the financial year, amounting to EUR 769 thousand, and the income for taxes relating to previous financial years, amounting to EUR 267 thousand.
Deferred taxes of EUR 3,211 thousand mainly refer to:

- income due to the recognition of deferred tax assets of the Parent amounting to EUR 1,265 thousand on the amortisation of the Customer Relationship and the Cellularline and Interphone trademarks, and on the write-down resulting from the impairment test carried out on the Customer Relationship for EUR 2,001 thousand, as described in the paragraph on deferred tax assets;

- income for the use of deferred taxes arising from the change in the fair value of the warrant, amounting to approximately EUR 137 thousand;
- charges for the use of deferred tax assets of Cellular Spain amounting to EUR 105 thousand;
- Other minor changes for EUR 87 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:

(thousands of Euro)	**Year ended 31 December 2021**	**Year ended 31 December 2020**
Profit for the year attributable to owners of the parent	(3,846)	13,900
Average number of ordinary shares	20,232	20,037
Basic earnings per share	**(0.190)**	**0.694**

(thousands of Euro)	**Year ended 31 December 2021**	**Year ended 31 December 2020**
Profit for the year attributable to owners of the parent:	(3,846)	13,900
Average number of outstanding shares	20,232	20,037
Number of shares with a dilutive effect	-	-
Average number of shares to calculate the diluted earnings	20,232	20,037
Diluted earnings per share	**(0.190)**	**0.694**

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4.11 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)	Balance as at	
	31 December 2021	**31 December 2020**
Cash flows from operating activities		
Profit/(loss) for the period	(3,846)	13,900
Adjustments for:		
- Amortisation, depreciation and impairment losses	18,988	14,884
- Net accruals and impairment losses	124	871
- (Gains)/ on equity investments	(122)	(345)
- Accrued financial (income)/expense	2,124	(257)
- Income taxes	(2,710)	(16,297)
- Other non-monetary movements	59	-
	14,617	**12,757**
Changes in:		
- (Increase)/Decrease in inventories	(2,563)	(6,592)
- (Increase)/Decrease in trade receivables	527	8,996
- Increase/(Decrease) in trade payables	4,340	(4,731)
- Increase/(Decrease) in other assets and liabilities	487	5,766
- Payment of employee benefits and change in provisions	(186)	(253)
Cash flows generated by/(used in) operating activities	**22,349**	**15,942**
Interest paid	(925)	(931)
Income taxes paid	(2,352)	(3,704)
Cash flows generated by/(used in) operating activities	**19,072**	**11,307**
Net M&A expenses and other non-recurring costs	1,902	3,297
Adjusted Net cash flow generated by/(used in) operating activities	**20,974**	**14,604**

Cash flows generated by/(used in) investing activities

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Cash flows from investing activities		
Acquisition of subsidiary	(2,365)	(13,813)
(Purchases)/sale of property, plant and equipment and intangible assets	(4,997)	(10,171)
Cash flows generated by/(used in) investing activities	**(7,362)**	**(23,984)**

Cash flows generated by/(used in) financing activities

(In thousands of Euro)	Balance as at	
	31 December 2021	31 December 2020
Cash flows from financing activities		
Other changes in equity	-	(1,351)
Other financial assets/(liabilities)	(3,447)	8,492
Increase/(decrease) in bank loans and borrowings and loans and borrowings from other financial backers	(9,597)	(11,035)
(Dividend distribution)	-	(6,612)
Payment of transaction costs relating to financial liabilities	151	(277)
Net cash flows generated by/(used in) financing activities	**(12,893)**	**(10,783)**

5. Transactions with related parties

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

Transactions with related parties, as defined by IAS 24 and governed by Article 4 of Consob Regulation 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 owned by 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%)
Christian Aleotti	Shareholder of Cellularline S.p.A.

The table below shows the equity balances of Cellularline's transactions with related parties for 2021:

(In thousands of Euro)	**Current trade receivables**	**Other non-current assets**	**(Trade payables)**
Cellular Swiss S.A.	4,702	-	-
Total	**4,702**	**-**	**-**
Impact on the financial statements item	*9.2%*	-	-

Trade receivables are presented net of the related trade payables.

The table below shows the balances the transactions with related parties carried out by Cellularline in the income statement for 2021:

(In thousands of Euro)	**Revenue from sales**	**(Sales and distribution costs)**	**(General and administrative costs)**	**Net other non-operating (costs)/revenue**
Cellular Swiss S.A.	4,238	-	(2)	-
Christian Aleotti	-	-	(9)	-
Total	**4,238**	**-**	**(11)**	**-**
Impact on the financial statements item	*3.8%*	-	*0.0%*	-

The main related parties with which Cellularline carried out transactions in 2021 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;

- Christian Aleotti lease agreements with Cellularline as lessee, entered into with some of its shareholders, stipulated on 1 September 2017 and on 16 October 2017.

6. Other information

Contingent liabilities

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

Risks

The 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 2021**	**Average 2020**
Managers	17	15
Junior managers	44	38
Clerical staff	165	175
Blue collar workers	2	2
Apprentices	10	13
TOTAL	**238**	**243**

Remuneration of Managing Directors and Key Managers

The following is a details compensation of Managing Directors and Key Managers:

Category	2021	2020
(In thousands of Euro)		
Managing Directors	1,069	1,000
Other key managers	152	204
Total remuneration	**1,221**	**1,204**

Managing Directors compensation include both salary compensation and Directors compensation.

Directors' and Statutory Auditors' fees

The Directors' fees for 2021 amount to approximately EUR 317 thousand.

The Statutory Auditors' fees for 2021 amount to approximately EUR 77 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 and 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 164 thousand, in addition to EUR 4 thousand for other accounting services as shown in the following table:

(In thousands of Euro)

Type of services	Recipient	2021	2020
A) Audit services	Parent	119	117
B) Attestation services	Parent	13	8
C) Other services	Parent	3	40
Total - parent		**135**	**165**
A) Audit services	Subsidiaries	29	28
B) Attestation services	Subsidiaries	-	-
C) Other services	Subsidiaries	4	4
Total - subsidiaries		**33**	**32**

KEY EVENTS AFTER THE REPORTING DATE

AEO (Authorised Economic Operator) authorisation granted by the Customs and Monopolies Agency: Cellularline has obtained the authorisation with the highest degree of reliability (AA) in both customs simplification (AEOC) and security (AEOS), demonstrating the high level of compliance achieved within the supply chain. Since it is valid throughout the European Union, but also recognised in important third countries including the United States, China, Japan and Switzerland, this authorisation will ensure Cellularline an even higher standing at a global level, consolidating the leadership achieved by the Group in the EMEA area and facilitating its expansion into other international markets.

Resignation of a Non-Executive Director and co-optation of a Director

In February 2022, the Non-Executive Director of Cellularline S.p.A. - Stefano Cerrato - resigned. Following his resignation, in February 2022, Davide Danieli - currently Group Chief Corporate & Financial Officer, Investor Relater and Manager responsible for preparing the financial information as of 21 April 2021 - was co-opted as a non-executive Director.

Reggio Emilia, 17 March 2022

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 2021 PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED AND SUPPLEMENTED

1. We, the undersigned Christian Aleotti and Marco Cagnetta, in their capacity as Managing Directors, and Davide Danieli, in his capacity as Manager responsible for preparing the financial information of the Cellularline Group, attest, also considering the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 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 2021 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 2021 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, 17 March 2022

Christian Aleotti

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Chief Executive Officer

Marco Cagnetta

____

Chief Executive Officer

Davide Danieli

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Manager responsible for preparing financial information

SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021:

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF FINANCIAL POSITION

(thousands of Euro)	Notes	31/12/2021	Of which related parties	31/12/2020	Of which related parties
ASSETS					
Non-current assets					
Intangible assets	**6.1**	50,907		63,824	
Goodwill	**6.2**	93,857		93,857	
Property, plant and equipment	**6.3**	5,102		5,412	
Equity investments in subsidiaries and associates	**6.4**	19,317		19,022	
Right-of-use assets	**6.5**	1,109		972	
Deferred tax assets	**6.6**	4,327		1,065	
Financial assets	**6.7**	6,103	6,103	6,468	6,468
Total non-current assets		**180,722**		**190,620**	
Current assets					
Inventories	**6.8**	26,451		27,780	
Trade receivables	**6.9**	51,018	16,166	53,286	14,715
Current tax assets	**6.10**	1,209		1,525	
Financial assets		37		86	
Other assets	**6.11**	3,581		3,580	
Cash and cash equivalents	**6.12**	3,827		6,135	
Total current assets		**86,123**		**92,391**	
TOTAL ASSETS		**266,845**		**283,011**	
EQUITY AND LIABILITIES					
Equity					
Share capital	**6.13**	21,343		21,343	
Other reserves	**6.13**	157,767		157,056	
Retained earnings	**6.13**	29,877		17,346	
Profit/(loss) for the year		(4,862)		13,190	
TOTAL EQUITY		**204,125**		**208,935**	
LIABILITIES					
Non-current liabilities					
Financial liabilities	**6.14**	24,714		34,564	
Deferred tax liabilities	**6.6**	1,152		1,240	
Employee benefits	**6.15**	323		324	
Provisions for risks and charges	**6.16**	1,495		1,488	
Other financial liabilities	**6.20**	713		458	
Total non-current liabilities		**28,397**		**38,074**	
Current liabilities					
Financial liabilities	**6.14**	10,088		10,039	
Trade payables	**6.17**	17,965	182	13,944	49
Current tax liabilities	**6.18**	1,231		1,889	
Provisions for risks and charges	**6.16**	-		-	
Other liabilities	**6.19**	3,372	38	3,571	
Other financial liabilities	**6.20**	1,667		6,558	
Total current liabilities		**34,323**		**36,002**	
TOTAL LIABILITIES		**62,720**		**74,076**	
TOTAL EQUITY AND LIABILITIES		**266,845**		**283,011**	

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

INCOME STATEMENT

(thousands of Euro)	Notes	31/12/2021	Of which related parties	31/12/2020	Of which related parties
Revenue from sales	**7.1**	97,947	17,298	96,647	11,950
Cost of sales	**7.2**	(57,054)	(1,206)	(56,117)	(473)
Gross operating profit		**40,893**		**40,530**	
Sales and distribution costs	**7.3**	(21,580)		(19,639)	
General and administrative costs	**7.4**	(26,652)	(11)	(23,338)	(122)
Other non-operating (expense)/revenue	**7.5**	950	27	492	(112)
Operating profit/(loss)		**(6,389)**		**(1,955)**	
Financial income	**7.6**	96	94	976	17
Financial expense	**7.6**	(2,080)		(2,392)	
Foreign exchange gains/(losses)	**7.7**	662		403	
Gains/(losses) on equity investments		-		-	
Profit/(loss) before taxes		**(7,711)**		**(2,968)**	
Current and deferred taxes	**7.8**	2,849		16,158	
Profit/(loss) for the year		**(4,862)**		**13,190**	

STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euro)	Notes	31/12/2021	31/12/2020
Profit/(loss) for the year		**(4,862)**	**13,190**
Other components of comprehensive income that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined benefit plans		(7)	6
Actuarial gains (losses) on provisions for risks		17	(62)
Gains/(losses) on translation of foreign operations		-	-
Income taxes		(3)	16
Other components of comprehensive income (charges) for the year		**7**	**(40)**
Total comprehensive income (charges) for the year		**(4,855)**	**13,150**

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF CASH FLOWS

(thousands of Euro)	**Notes**	**31/12/2021**	**31/12/2020**
Profit/(loss) for the year		(4,862)	13,190
Amortisation, depreciation and impairment losses		17,182	13,767
Net impairment losses and accruals		47	523
Accrued financial (income)/expense		1,984	1,416
Other non-monetary movements		52	-
Current and deferred taxes		(2,849)	(16,158)
		11,554	**12,738**
(Increase)/decrease in inventories		1,429	(6,019)
(Increase)/decrease in trade receivables		2,220	8,585
Increase/(decrease) in trade payables		4,021	(5,923)
Increase/(decrease) in other assets and liabilities		1,289	5,443
Payment of employee benefits and change in provisions		(93)	(239)
Cash flows generated by (used in) operating activities		**20,420**	**14,584**
Interest paid		(925)	(901)
Income taxes paid		(2,334)	(3,401)
Net cash flows generated by (used in) operating activities		**17,161**	**10,282**
Acquisition of subsidiary, net of cash acquired		(295)	(10,000)
(Purchase)/sale of property, plant and equipment and intangible assets		(4,093)	(3,303)
Net cash flows generated by (used in) investing activities		**(4,388)**	**(13,303)**
Other financial assets and liabilities		(5,232)	(5,789)
(Dividends/reserves distributed)		-	(6,612)
Other changes in equity		-	(1,257)
Increase/(decrease) in bank loans and borrowings and loans and borrowings from other financial backers		(10,000)	(6,873)
Payment of transaction costs relating to financial liabilities		151	(276)
Net cash flows generated by (used in) financing activities		**(15,081)**	**(20,807)**
Increase/(decrease) in cash and cash equivalents		**(2,308)**	**(23,828)**
Opening cash and cash equivalents	**6.12**	**6,135**	**29,963**
Closing cash and cash equivalents	**6.12**	**3,827**	**6,135**

STATEMENT OF CHANGES IN EQUITY

(thousands of Euro)	Notes	Share Capital	Other reserves	Retained earnings/ (losses carried forward)	Profit/ (loss) for the year	Non-controlling interests	Total net Equity
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 for the year		-	-	-	13,190	-	13,190
Balance as at 31 December 2020		**21,343**	**157,056**	**17,346**	**13,190**	-	**208,935**
Allocation of profit for previous year		-	659	12,531	(13,190)	-	-
Dividend distribution		-	-	-	-	-	-
Comprehensive income		-	7	-	-	-	7
Other changes		-	45	-	-	-	45
Profit for the year		-	-	-	(4,862)	-	(4,862)
Balance as at 31 December 2021	**6.13**	**21,343**	**157,767**	**29,877**	**(4,862)**	-	**204,125**

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

1. Introduction

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

The separate financial statements are submitted for approval by the Shareholders' Meeting called for 27 April 2022, in line with the financial calendar approved by the Board of Directors on 15 December 2021.

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

As at 31 December 2021, the shareholders of Cellularline holding more than 5% of the share capital with voting rights are as follows:

- Christian Aleotti 8.483%
- First Capital S.p.A. 5.235%
- Quaero Capital S.A. 5.049%

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 2021 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 IAS/IFRS that is not contained in other parts of the financial statements, as well as to provide additional information that is not shown in the financial schedules, but is required to give a true and fair view of the Company's operations.

2.1 Basis of presentation

The financial statements as at and for the year ended 31 December 2021 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 period and the expenses and income recognised directly in shareholders' 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 individual component. Where applicable, it also includes the effects of changes in accounting policies for each item of equity.
- **Notes to the financial statements.**

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

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

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

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

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

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.

2.2 Use of estimates and judgements in the preparation of the Separate 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 liability, the Company makes use of observable market data as far as possible.

The company a fair values hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

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

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

Recoverability of goodwill 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 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 9 March 2022 and the results were by the Board of Directors approved on 17 March 2022, 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.

On March 9, 2022, the Company's Board of Directors approved the 2022-2025 Business Plan, which contains the Group's strategic guidelines and medium/long-term objectives, which are broken down as follows: (i) Brands and Products; (ii) Italian market; (iii) Priorities of the international market; (iv) Travel Retail and optimisation of other distribution channels; (v) E-commerce; (vi) Organisation, Processes and Digitisation; (vii) ESG; (viii) M&A.

The estimate of the expected operating cash flows, based on the 2022-2025 Business Plan, was used for impairment testing purposes. The Directors deemed it appropriate to extend the Plan's time horizon to four years, also considering ESMA's recommendations.

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.

Customer relationships

As explained in detail in the Directors' Report, 2021 was affected by the epidemic and the global spread of COVID-19, with a significant impact on the Company's business.

The management has carried out an analysis to verify the possible need to subject these intangible assets with a finite useful life to an impairment test, considering - as provided for by IAS 36 - the possible presence of internal and external indicators. The company has identified as an indicator of impairment the EUR 4 million write-down of these assets carried out at 31 December 2020.

The Company tested at impairment 31 December 2021 any loss in value of the customer relationship recognised as an asset with a finite useful life for impairment. The value configuration at fair value was used, in continuity with what was done during the Purchase Price Allocation, through the updating of the assumptions at the reporting date.

The estimate of the expected operating cash flows, derived from the Cellularline 2022-2025 Business Plan, which also reflects the expected impact of COVID-19 on the Company'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 Relationships in previous years;

- the financial parameters to be used to discount the above cash flows.

Trademark

Following the formalisation of internal analyses, the Directors did not identify specific impairment indicators relating to these assets, considering: (i) the extensive headroom resulting from the previous impairment tests carried out as at June 30, 2021 and December 31, 2020, (ii) the consistency of the financial and non-financial parameters underlying the calculation; (iii) the consistency of the royalty rate in line with the parameter used at the time of the PPA (iii) the main economic and financial indicators of the plan prepared by the Directors.

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 developments.

Stock Grant plan

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

Recoverability of deferred tax assets

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

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 Financial Statements

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

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

Intangible assets

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

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

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

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.

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 period of time, can be estimated at 13 years.

The Company has verified through the impairment test any loss in value of the customer relationship recorded as an asset with a finite useful life. The value configuration at fair value was used, in continuity with what was done during the Purchase Price Allocation through the updating of the valuation parameters at the reference date of 31 December 2021.

The Company used an independent advisor to measure this item.

Software, license and trademark costs

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 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 Company has not tested trademarks recognised as assets with finite useful life for impairment, given that no impairment indicators were verified on specific assets and the results of previous impairment tests showed significant headroom.

Software costs, including ancillary expense, relate to software acquired for the Group's use. Licenses refer to software licenses dedicated to specific service contracts.

Goodwill

Goodwill acquired in business combinations is initially recognised at cost and represents the excess of the acquisition cost over the Company's interest in the fair value of the identifiable assets, liabilities and contingent

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

Impairment test

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. When an impairment loss on assets other than goodwill subsequently ceases to exist or decreases, the carrying amount of the cash-generating unit or asset is increased up to the new estimate of its recoverable amount and may not exceed the amount that would have been determined had no impairment loss been recognised. The reversal of an impairment loss is immediately recognised in profit or loss.
The Company used an independent advisor to measure this item.

Property, plant and equipment

Property, plant, machinery and industrial equipment (including that under finance lease) used for the production or supply of goods and services are recognised at historical cost, net of accumulated depreciation and any impairment losses; the cost also includes any costs directly incurred to prepare the assets for use.

Interest expense incurred on loans obtained to purchase or construct property, plant and equipment is recognised as an increase in the assets only in the case of assets that meet the requirements for recognition as such, i.e. they require a significant period of time to be ready for use or marketable.

Ordinary maintenance and repair costs are taken directly to profit or loss for the year in which they are incurred, while maintenance costs that increase the value of assets are allocated to such assets and depreciated with the asset on the basis of its residual possibility of use.

Assets under construction and payments on account are recognised as assets based on the cost incurred and/or the advance paid, including directly attributable expenses.

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

Category	Depreciation rate
Buildings	3%
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 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 amount of goodwill is estimated annually.

Inventories

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

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

Cash and cash equivalents

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

Employee benefits

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

The post-employment benefits of Italian companies until 31 December 2006 were considered a defined 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 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 risks specific to the liability. When the discounting back is carried out, the increase in the provision due to the passing of time is recorded as a financial charge.

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 they will be received and 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.

Dividends

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

Income taxes

Current taxes

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

Deferred taxes

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

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

Deferred tax assets are recognised for all deductible temporary differences and for the carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the

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

Risks, commitments, guarantees

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

Right-of-use assets

The Company has adopted IFRS 16 Leases from 1 January 2019. IFRIC 23, IAS 28 and IAS 19, which became effective on 1 January 2019.
IFRS 16 introduced a single model of accounting for leases in the financial statements of lessees whereby the Company, as lessee, recognised an asset that represents the right to use the underlying asset and a liability that reflects the obligation to pay the lease payments. The accounting methods for the lessor, on the other hand, remain similar to those provided for by the previously applicable standard.
The Company has used the option to adopt IFRS 16 with the modified retrospective method, which provides for the possibility of recognising the right-of-use asset as at 1 January 2019 for an amount equal to the lease liability remaining at that date, without recalculating the figures for the previous year.

Definition of leasing

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

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

Lessee accounting model

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 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 the current IFRS 4. 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.
  With Regulation (EU) no. 2020/2097 of 15 December 2020, published in the Official Journal of the European Union on 16 December 2020, the IASB document "Extension of Temporary Exemption from the Application of IFRS 9 (Amendments to IFRS 4 Insurance Contracts)" was adopted. Entities with a predominant insurance business are permitted to continue to apply the requirements of IAS 39 Financial Instruments: Recognition and Measurement for the classification and measurement of financial instruments until IFRS 17 Insurance Contracts, which will replace the current IFRS 4, becomes effective. The temporary exemption from the application of IFRS 9 Financial Instruments is envisaged in order to avoid the volatility of the profit/(loss) for the financial year originating from the asymmetry between the valuation criteria envisaged by IFRS 9 for financial business and the valuation criteria of IFRS 4 for liabilities linked to insurance business.
  As the IASB Board in June 2020 decided to postpone the effective date of IFRS 17 from 1 January 2021 to 1 January 2023, the deadline for the temporary exemption to apply IFRS 9 was also consistently extended by two years.
  Although the document published by the IASB does not include a specific effective date, the European endorsement regulation states that the amendments to IFRS 4 must be applied as from 1 January 2021 for financial years beginning on or after 1 January 2021.
  The introduction of the new standard did not have any significant effects on the financial report as at and for the year ended 31 December 2021;
- on 14 January 2021, Regulation (EU) 2021/25 of the Commission of 13 January 2021 was published, amending Regulation (EC) No. 1126/2008, which implemented, at a European level, the changes adopted on 27 August 2020 by the International Accounting Standards Board for the "Interest rate benchmarks reform - phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16", which take into account the consequences of the effective replacement of benchmarks for determining existing interest rates with alternative benchmarks. These amendments envisage specific accounting treatment to spread out over time the changes in the value of the financial instruments or lease contracts brought about by the change in the benchmark to determine interest rates, thereby avoiding any immediate impact on period profit

(loss) and pointless transfers of hedges following the change in the benchmark used to determine interest rates.

These amendments to the Regulations did not have a material impact on the financial report as of 31 December 2021;

- with Regulation (EU) no. 2021/1421 of 30 August 2021, published in the Official Journal of the European Union on 31 August 2021, the document "Rent concessions related to Covid-19 after 30 June 2021 (amendment to IFRS 16 Leases)" was adopted, which was approved by the IASB Board on 31 March 2021 and expanded the scope of the practical expedient for accounting for "rent concessions" obtained by lessees as a direct result of the Covid-19 pandemic. With the 2021 Amendment, the IASB published amendments to IFRS 16 that move from 30 June 2021 to 30 June 2022 the final date to take advantage of the practical expedient for measuring leases if renegotiated lease payments have been made as a result of Covid-19. The lessee may elect to account for the concession as a variable fee in the period in which a lower payment is recognised.

  For the IASB, the 2021 Amendment is applicable from the financial statements of financial years beginning on or after 1 April 2021, but early application is still permitted to financial statements of prior years whose publication has not yet been authorised as of 31 March 2021. Given that the EU endorsement regulation was published after the date on which the IASB document came into force, the European Commission deemed it appropriate to apply the provisions of the endorsement regulation retroactively. Specifically, Article 2 of the EU regulation states that "companies shall apply [the amendment to IFRS 16] from 1 April 2021 for financial years beginning on or after 1 January 2021 at the latest."

  The provisions are applied retroactively and provide for the recognition of the cumulative effects in the opening shareholders' equity of the first annual financial statements in which the amendment to IFRS 16 is applied.

The following is a list of documents applicable beginning with the financial statements for financial years beginning 1 January 2021 described above:

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

(*) IASB Board document: entry into force as from financial years starting on or after 1 April 2021; early application is permitted also for financial statements not authorised for publication by 31 March 2021 (date of publication of the amendment to IFRS 16)

EU endorsement: the provisions of the EU endorsement regulation have retroactive effect and, therefore, the amendment to IFRS 16 must be applied no later than 1 April 2021 for financial years beginning on or after 1 January 2021.

With the exception of the above, this Annual Financial Report has been prepared using the same accounting standards applied by the Group for the preparation of the Consolidated Financial Statements as at and for the year ended 31 December 2020.

3 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 2022, whose early application is permitted. The Company has decided not to adopt them in advance for the preparation of these financial statements.

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

- amendments to IFRS 3 - Reference to the Conceptual Framework: the amendments update the reference in IFRS 3 to the Conceptual Framework in the revised version, without entailing any changes to the provisions of the standard. With the amendment to IFRS 3, the new definitions of assets and liabilities in the new Conceptual Framework published in March 2018 will have to be used to identify the assets and liabilities of the acquiree, with the exception of liabilities assumed in the acquiree, which after the acquisition date are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Taxes;
- amendments to IAS 16 - Property, plant and equipment: proceeds before intended use: the IASB Board has clarified that the proceeds from the sale of goods produced by an asset during the period prior to the date on which the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management must be recognised in profit/(loss) for the period. As a result of the above amendment, it will no longer be permitted to recognise as a direct reduction of the cost of the asset income from the sale of goods produced before the asset is available for use, for example, from the sale of samples produced during the testing phase of the proper functioning of the asset;
- amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract: the IASB Board clarified that the costs necessary for fulfilling a contract include all the costs directly related to the contract and therefore include
- incremental costs, i.e., costs that would not have been incurred in the absence of the contract (e.g. raw materials, direct labour costs, etc.)
- a portion of other costs that, although not incremental, are directly related to the contract (e.g. portion of depreciation of assets used to perform the contract).

  The IASB Board, moreover, confirmed that, before recognising a provision for onerous contract, the entity must recognise any impairment losses on non-current assets and clarified that impairment losses must be determined with reference not only to assets fully dedicated to the contract, but also to other assets that are partially used to fulfil the contract;

- improvements to IFRS - 2018-2020 cycle (Amendments to IFRS 1, IFRS 9 and IAS 41): the Improvements to IFRS Standards are the result of the annual improvement process aimed at resolving non-urgent issues related to inconsistencies or unclear terminology identified in the International Financial Reporting Standards. It should be noted that the document "Improvements to IFRS - 2018-2020 cycle" also includes an amendment to IFRS 16 that is not subject to endorsement by the European Union as it relates to an illustrative example that is not an integral part of IFRS 16.

These amendments, endorsed by the European Union on 28 June 2021 (EU Regulation no. 2021/1080), will apply from financial years beginning 1 January 2022 and are not expected to have a material impact on the Company's financial statements. Early application is permitted.
The following is a list of documents applicable beginning with the financial statements for financial years beginning 1 January 2022 described above:

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

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

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 2021

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 2021.
The following documents will only become applicable after EU endorsement:

Document title	Issue date	Date of entry into force	Date of EU endorsement regulation and publication date
IFRS 17 Insurance Contracts (including amendments published 25 June 2020)	18 May 2017 25 June 2020	1 Jan. 2023	19 Nov. 2021 (EU) 2021/2036 23 Nov. 2021
Classification of liabilities as current or non-current (amendments to IAS 1) + Deferral effective date (*)	23 Jan. 2020 15 July 2020	1 Jan. 2023	TBD
Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	12 Feb. 2021	1 Jan. 2023	TBD
Definition of accounting estimates (Amendments to IAS 8)	12 Feb. 2021	1 Jan. 2023	TBD
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	7 May 2021	1 Jan. 2023	TBD
Initial application of IFRS 17 and IFRS 9 - Comparative information (Amendment to IFRS 17)	9 Dec. 2021	1 Jan. 2023	TBD

(*) A project is underway by the IASB Board to modify the requirements of the document published in 2020 and to postpone its entry into force to 1 January 2024. The Exposure Draft was released on 19 November 2021.

List of documents not subject to EU approval:

Document title	Issue date	Date of entry into force	EU approval
IFRS 14 - Regulatory deferral accounts	30 Jan. 2014	1 Jan. 2016 (*)	Unplanned
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	11 Sep. 2014 17 Dec. 2015	Indefinite (**)	Unplanned

IFRS 14 came into force starting 1 January 2016, but the European Commission decided to suspend the endorsement process pending the new accounting standard on "rate-regulated activities".

(**) In December 2015, the IASB Board published the document "Effective date of amendments to IFRS 10 and IAS 28" by which it removed the mandatory effective date (which was scheduled for 1 January 2016) pending completion of the equity method project.

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.

4 Segment reporting

The Company has identified one operating segment, which includes all the services and products provided to customers.

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

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

5 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 2021.

ASSETS

NON-CURRENT ASSETS

6.1 Intangible assets

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.

Intangible assets as at 31 December 2021 and 31 December 2020 are detailed below.

(In thousands of Euro)	**Net value as at 31 December 2020**	**Increases**	**Acquisitions**	**(Amortisation)**	**(Decreases/ Write-downs)**	**Reclassifications**	**Use of provision**	**Net value as at 31 December 2021**
Development costs	769	1,191	-	(1,210)	-	3	-	753
Industrial patents and intellectual property rights	1,729	1,062	-	(1,447)	(3)	38	2	1,381
Concessions, licenses, trademarks and similar rights	17,448	13	-	(1,180)	-	-	-	16,281
Customer relationships	43,829		-	(4,593)	(7,174)	-	-	32,062
Assets under construction and payments on account	49	422	-	-	-	(41)	-	430
Total intangible assets	**63,824**	**2,688**	**-**	**(8,430)**	**(7,177)**	**0**	**2**	**50,907**

Changes in Intangible assets, broken down for the period between 31 December 2020 and 31 December 2021 are shown below:

(In thousands of Euro)	
Balance as at 31 December 2020	**63,824**
Increases	2,688
(Decreases)	(7,177)
(Amortisation and impairment losses)/revaluations	(8,430)
(Decreases) in Accumulated amortisation	2
Balance as at 31 December 2021	**50,907**

With reference to 31 December 2021, it should be noted that the Company has made investments of EUR 2,688 thousand.

In particular, investments are mainly attributable to:

- development costs of approximately EUR 1,191 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 1,062 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. In connection with the preparation of the 2022 - 2025 strategic plan, in-depth analyses were carried out in order to identify possible indicators of impairment of intangible assets with a finite useful life.

These analyses revealed a potential indicator of impairment limited to Cellularline's Customer Relationship and it was therefore deemed essential to carry out an impairment test of the carrying amount of this asset only.
The results of the test determined that the fair value of Cellularline's Customer Relationship is lower than its net book value, resulting in an impairment loss of EUR 7,174 thousand.

6.1.2 Impairment test on Customer Relationship

As at 31 December 2021, the customer relationship with a finite useful life recognised in the financial statements amounted to EUR 32,062 thousand, net of accumulated amortisation and impairment losses.
As already described, the Company has verified through the impairment test any loss in value of the customer relationship of Cellularline recorded as an asset with a finite useful life. 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 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 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 need to record an impairment of EUR 7,174 thousand in the value of Customer Relationships.

6.2 Goodwill

The details of Goodwill as at 31 December 2021 and 31 December 2020 are shown below:

(In thousands of Euro)	**Balance as at**	
	31 December 2021	**31 December 2020**
Goodwill	93,857	93,857
Total Goodwill	**93,857**	**93,857**

The changes in Goodwill from 31 December 2021 to 31 December 2020 are shown below:

(In thousands of Euro)	**Goodwill**
Balance as at 31 December 2020	**93,857**
Acquisitions	-
Increases	-
(Impairment losses)	-
Balance as at 31 December 2021	**93,857**

6.2.1 Impairment test on goodwill

As at 31 December 2021, 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. When an impairment loss on assets other than goodwill subsequently ceases to exist or decreases, the carrying amount of the cash-generating unit or asset is increased up to the new estimate of its recoverable amount and may not exceed the amount that would have been determined had no impairment loss been recognised.

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

In accordance with the applicable standard (IAS 36), to test goodwill for impairment at 31 December 2021, 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 09 March 2022, for the period 2022-2025, 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 7.7% and an estimated sustainable growth rate ("g") of 1.39%. 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 that 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:

- WACC and 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 considered, and on the Equity Value understood as the difference between value in use and the net financial position (NFP) at the balance sheet date (figures in EUR millions).

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

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 2021 and 31 December 2020, is shown below:

(In thousands of Euro)	**Net value as at 31 December 2020**	**Increases**	**Acquisitions**	**(Amortisation)**	**(Decreases/Write-downs)**	**Reclassifications**	**Use of provision**	**Net value as at 31 December 2021**
Land and buildings	3,555	11	-	(122)	-	-	-	3,444
Plant and machinery	409	33	-	(164)	(13)	-	13	278
Industrial and commercial equipment	1,348	509	-	(652)	(216)	22	200	1,211
Assets under construction and payments on account	100	91	-	-	-	(22)	-	169
Total intangible assets	**5,412**	**644**	**-**	**(938)**	**(229)**	**-**	**213**	**5,102**

The changes in Property, plant and equipment between 31 December 2020 and 31 December 2021 are shown below:

(In thousands of Euro)	
Balance as at 31 December 2020	**5,412**
Increases	644
(Decreases)	(229)
(Amortisation and impairment losses)/revaluations	(938)
(Decrease in accumulated depreciation)	213
Balance as at 31 December 2021	**5,102**

As at 31 December 2021 the item consisted mainly of buildings used as the operating offices of the Company for EUR 3,444 thousand and industrial and commercial equipment for EUR 1,211 thousand (mainly furniture, furnishings, office machinery and moulds).

With reference to 31 December 2021, the Company made net investments of EUR 644 thousand, mainly related to industrial and commercial equipment.

6.4 Subsidiaries and associates

The breakdown of changes in the item as at 31 December 2020 and 31 December 2021 are shown below:

(In thousands of Euro)	**31 December 2020**	**Increases**	**Remeasurement**	**Decreases**	**31 December 2021**
Subsidiaries	18,989	295	-	-	19,284
Associates	33	-	-	-	33
Total equity investments	**19,022**	**295**	**-**	**-**	**19,317**

The increase recorded during the year is related to the 11 June 2021 purchase of 55% of the share capital of Nicotina S.r.l. (later renamed Coverlab S.r.l.) for EUR 295 thousand.

Below is a list of investments in foreign currencies (in thousands).

EQUITY INVESTMENTS	Office	Share Capital (in foreign currency)	Equity (in foreign currency)	Type of ownership	Profit (loss) for the previous year (in foreign currency)	Percentage of ownership	Carrying amount (in Euro/000)
SUBSIDIARY COMPANIES							
- Cellular Spain S.L.U.	ES	3	776	Direct	3	100%	1,103
- Cellular Inmobiliaria Italiana S.L.U.	ES	3	81	Direct	6	100%	3
- Cellular Immobiliare Helvetica S.A.	CH	100	254	Direct	11	100%	71
- Pegaso S.r.l.	IT	70	1,280	Direct	6	75%	3,055
- Systema S.r.l.	IT	100	2,317	Indirect	(3)	75%	N/A
- Worldconnect AG	CH	100	3,173	Direct	1,152	80%	14,757
- Coverlab S.r.l.	IT	69	191	Direct	43	55%	295
TOTAL SUBSIDIARIES							**19,284**
ASSOCIATES							
- Cellular Swiss S.A. (*)	CH	100	159	Direct	734	50%	33
TOTAL ASSOCIATES							**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 2021 with revenue of EUR 9,787 thousand (EUR 6,360 thousand in 2020).

The company increased revenues in 2021, despite the continuing effects of COVID-19, due to contracts signed with leading local players and the expansion of the product range. The operating profit of the subsidiary was substantially in line with 2020, 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.

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

The subsidiary Pegaso S.r.l. is an investment holding company that holds 100% of the shares of Systema S.r.l. The company Systema S.r.l. closed FY 2021 with a turnover of EUR 8,983 thousand, in line with the previous year, despite the continuing effects of Covid-19 in the main foreign countries in which it operates, by virtue of the contracts signed with leading local players.

Worldconnect AG

The economic result for the year was a profit of EUR 1,066 thousand. Operating results for FY 2021 were severely impacted by the effects of the Covid-19 pandemic, as the subsidiary operates in the travel-airport sector - a channel temporarily impacted by restrictions resulting from the pandemic event; these results were fully offset by the Hartfall government grant received during 2021. It is therefore deemed that, as the effects of the restrictions that impacted the operative results of the subsidiary are temporary, 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.

Coverlab S.r.l.

The company, acquired in June 2021, is an innovative e-commerce company in the start-up phase and operates in the custom accessories segment. It is therefore deemed that the negative results recorded in 2021 should be considered temporary, taking into account the forecast growth plan for the next few years; consequently, 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 Swiss S.A.

In 2021, the associate Cellular Swiss continued to pursue its strategy to develop business with existing customers – which operate mainly in the Consumer Electronics channel - and seeking new customers, also in different channels (for example, in the Telco, Travel Retail and Mass Merchandise channels).

6.5 Right-of-use assets

This item, amounting to EUR 1,109 thousand (EUR 972 thousand as at 31 December 2020), refers exclusively to the recognition of rights of use due to the initial application of IFRS 16 - Leases.
This item is treated as an intangible asset and depreciated over the term of the underlying lease or rental agreement. In no case is there a contractual purchase option.

(In thousands of Euro)	**Right-of-use assets**
Balance as at 31 December 2020	**972**
Increases	844
Decreases	(67)
(Amortisation)	(640)
Balance as at 31 December 2021	**1,109**

The increases of the year, equal to EUR 844 thousand, mainly concern new contracts for cars and commercial vehicles.

6.6 Deferred tax assets and liabilities

Changes in Deferred tax assets and liabilities between 31 December 2020 and 31 December 2021 are shown below:

Deferred tax assets

(In thousands of Euro)	
Balance as at 31 December 2020	**1,065**
Accruals/(releases) in profit or loss	3,260
Accruals/(releases) in comprehensive Income	2
Balance as at 31 December 2021	**4,327**

The balance at 31 December 2021, amounting to EUR 4,327 thousand, comprises deferred tax assets originating mainly from accruals to taxed provisions, temporarily non-deductible amortisation/depreciation and the impact of the application of IFRS, though not for taxation purposes.

The change compared with the previous year, amounting to EUR 3,262 thousand, is attributable for EUR 1,265 thousand to IRES and IRAP deferred tax assets calculated on the amortisation of the Customer Relationship and the Cellularline and Interphone trademarks and on the write-down deriving from the impairment test on the Customer Relationship for EUR 2,001 thousand.

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

The rule also provided the following two additional alternatives:

- maintenance of the deduction over 18 years against payment of the ordinary substitute tax on the franking of extraordinary transactions (12%, 14% and 16% for revaluations of up to 5 million, between 5 million and 10 million and over 10 million, respectively), in 2 equal instalments in 2022 and 2023, from which the substitute tax already paid will be deducted);
- revocation of the realignment for tax purposes, with repayment or right to offset the substitute tax already paid, in accordance with procedures to be defined by a future measure.

Considering that:

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

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

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

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

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

Deferred tax liabilities

(In thousands of Euro)	
Balance as at 31 December 2020	**1,240**
Accruals/(releases) in profit or loss	(93)
Accruals/(releases) in comprehensive Income	5
Balance as at 31 December 2021	**1,152**

Deferred tax liabilities as at 31 December 2021 are primarily attributable to the deferred taxation arising from the fair value of the warrant; these liabilities relate to differences that are estimated to be reabsorbed in the medium to long term.

6.7 Financial receivables

Changes in non-recurring financial assets between 31 December 2020 and 31 December 2021 are shown below.

(In thousands of Euro)	**Financial assets**
Balance as at 31 December 2020	**6,468**
Increases	-
(Decreases)	(365)
Balance as at 31 December 2021	**6,103**

The item, which came to EUR 6,103 thousand, consists of loans granted to subsidiaries. These include loans to Worldconnect of EUR 4,840 thousand, corresponding to CHF 5,000 thousand, to Cellular Immobiliare Helvetica S.A. of EUR 918 thousand (corresponding to CHF 949 thousand) and to Cellular Inmobiliaria Italiana S.L.U. for EUR 345 thousand.

The net decreases mainly relate to repayments made by subsidiaries during 2021, respectively amounting to CHF 55 thousand (EUR 41 thousand) by Cellular Immobiliare Helvetica, EUR 10 thousand by Cellular Inmobiliaria Italiana and CHF 600 thousand (EUR 540 thousand) by Cellular Swiss, which has fully repaid the loan.

CURRENT ASSETS

6.8 Inventories

Inventories are made up as follows:

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Finished products and goods	22,415	25,635
Goods in transit	3,493	2,417
Advances	1,743	1,028
Gross inventories	**27,651**	**29,080**
(Allowance for inventory write-down)	(1,200)	(1,300)
Total Inventories	**26,451**	**27,780**

Gross inventories include finished products at the Company's warehouses, as well as goods in transit for which the Company has already acquired ownership of EUR 3,493 thousand (EUR 2,417 thousand as at 31 December 2020). Advances include prepayments for the purchase of finished products.

The decrease in gross inventory of EUR 1,429 thousand compared to 31 December 2020, is mainly due to the gradual reabsorption in 2021 of the temporary increase in inventories that had been recorded in 2020 as a result of Covid-19.

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

Changes in allowance for inventory write-down between 31 December 2020 and 31 December 2021 are shown below:

(In thousands of Euro)	**Allowance for inventory write-down**
Balance as at 31 December 2020	**(1,300)**
(Accruals)	(1,200)
Releases to profit or loss	-
Utilisations	1,300
Balance as at 31 December 2021	**(1,200)**

During the period, the Company, following an analysis of slow-moving products, set aside EUR 1,200 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 fund for Euro 1,300 thousand refers to partial scrapping during 2021.

6.9 Trade receivables

Trade receivables as at 31 December 2020 and 31 December 2021 are shown in detail below:

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Trade receivables from third parties	38,177	41,849
Trade receivables from related parties (Note 8)	16,166	14,715
Gross trade receivables	**54,343**	**56,564**
(Loss allowance)	(3,325)	(3,278)
Total trade receivables	**51,018**	**53,286**

Gross trade receivables from third parties decreased by 2,221 thousand as a result of lower revenue compared to the previous year.

Changes in the loss allowance from 31 December 2020 to 31 December 2021 are shown below:

(In thousands of Euro)	**Loss allowance**
Balance as at 31 December 2020	**(3,278)**
(Accruals)	(200)
Releases to profit or loss	-
Utilisations	153
Balance as at 31 December 2021	**(3,325)**

Impaired assets refer mainly to disputed amounts or customers subject to bankruptcy proceedings. The utilisations reflect amounts that, based on certain, precise information or pending bankruptcy procedures were impaired in full.

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

The change in the loss allowance, following the accrual of the year, is the result of an analytical assessment of non-performing assets and assets that have been proven to be of uncertain recoverability as well as a general assessment based on the asset's historical credit loss.

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

6.10 Current tax assets

The breakdown of Current tax assets as at 31 December 2020 and 31 December 2021 is shown below:

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Tax asset of prior years	-	1,501
Receivables from tax authorities for current taxes	1,209	-
Credit for withholding taxes on interest income	-	24
Total current tax assets	**1,209**	**1,525**

Receivables from tax authorities for current taxes mainly include: (*i*) the receivable from the tax authorities for tax consolidation with Systema amounting to EUR 760 thousand; (*ii*) the tax credit for higher advances paid compared to the amount due for the year 2021, amounting to EUR 217 thousand, (*iii*) the credit for taxes for which reimbursement has been requested, amounting to EUR 115 thousand and (*iv*) the credit for research, development, innovation and design amounting to EUR 104 thousand.

6.11 Other assets

The breakdown of other current assets as at 31 December 2020 and 31 December 2021 is shown below:

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Prepaid expenses	2,874	3,510
VAT credit	685	-
Others	22	70
Total Other assets	**3,581**	**3,580**

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

6.12 Cash and cash equivalents

The breakdown of cash and cash equivalents as at 31 December 2020 and 31 December 2021 is shown below:

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Bank accounts	3,821	6,124
Cash on hand	6	11
Total Cash and cash equivalents	**3,827**	**6,135**

Cash and cash equivalents amount to EUR 3,827 thousand as at 31 December 2021 (EUR 6,135 thousand as at 31 December 2020). 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 net decrease of EUR 2,308 thousand, in addition to the cash flow generated by current operations, derives primarily from:

- outlay of approximately EUR 5,325 thousand for the payment of the second Tranche relating to the acquisition of 80% of the company Worldconnect, as provided for in the acquisition agreement signed in July 2020;
- payment of the instalments of the bank loan in place for EUR 10,000 thousand;

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 Shareholders' equity

Equity was EUR 204,125 thousand (EUR 208,935 thousand at 31 December 2020), having increased mainly as a result of the period loss.

During the year ended 31 December 2021, there were no assets held for specific deals.

Below is an analysis of equity items in relation to their origin, possibility of utilisation and distribution (in thousands of Euro):

SHAREHOLDERS' EQUITY		VALUE AS AT 31.12.2021	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	139,918		
IV	Legal reserve	1,954	B	1,954		
V	Statutory reserves	-		579		
VII	Other reserves	31,084	B	579		
VIII	Retained earnings reserve	29,877	A, B, C	21,583	1,055	13,263
IX	Profit for the year	(4,862)				
X	Treasury shares	(15,189)	None			
Total Shareholders' Equity		**204,125**		**164,034**	**1,055**	**13,263**

(*) Key / Notes:
A = for capital increase
B = to cover losses
C = for distribution to shareholders

In view of the realignment of the tax value with the statutory value of the trademarks Cellularline and Interphone and of the customer relationship, as envisaged by Article 110, paragraphs 8 and 8-bis of Decree Law no. 104/2020, converted into Law no. 126/2020, as amended by Law no. 178/2020, the Board of Directors proposes that the Shareholders' Meeting establish a tax suspension restriction in the amount of EUR 59,253,118.18 on the share premium reserve.

Share capital

The share capital as at 31 December 2021 amounts to EUR 21,343, divided into 21,868,189 ordinary shares.

In June 2021, as envisaged by the provisions of its articles of association, the Company automatically converted 195,000 special shares into ordinary shares. In accordance with this provision of the articles of association, the 195,000 special shares were converted at a ratio of one ordinary share for every special share held and, therefore, into a total of 195,000 new-issue ordinary shares in Cellularline, with no change to the amount of the share capital. Upon completion of the conversion, the Company's share capital consists of 21,868,189 ordinary shares with no nominal value (21,673,189 at 31 December 2020).

There are also 6,130,954 warrants outstanding.

Other reserves

As at 31 December 2021, other reserves amount to EUR 157,767 thousand (EUR 157,056 thousand as at 31 December 2020) and were mainly divided as follows:

- The share premium, which amounts to EUR 139,918 thousand, including EUR 59,253 in suspended taxation following the realignment of trademarks and customer relationships.
- Other reserves amounting to EUR 33,038 thousand which originated as a result of the effects of the application of the IFRS and the Business Combination which took place in 2018;
- Treasury shares of EUR 15,189 thousand.

Retained earnings

Retained earnings amount to EUR 29,877 thousand (EUR 17,346 thousand as at 31 December 2020) and mainly refer to:

- retained earnings of the previous year (EUR 21,584 thousand).
- the effects of transition to IFRS on equity (EUR 5,045 thousand);
- the effects of warrants and listing costs (EUR 3,248 thousand);

Profit (loss) for the year

As a result of the loss incurred in 2021, equal to Euro 4,862,141.76we propose to fully cover the loss through the use of the Retained Earnings Reserve for the entire amount.

Share-based payment arrangements

In 2021, the Group approved a Stock Grant Plan, which envisages the award of rights to certain key managers to receive Company shares free of charge.

The free award of such rights to receive shares comes under the scope of the "Cellularline S.p.A. 2021-2023 Incentive Plan", submitted for approval by the ordinary shareholders' meeting on 28 April 2021.

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

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

(*) The number of instruments reported refers to the first tranche of awards of the three-year cycle, of which 55,000 assigned to CEOs and key managers

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

(i) the Relative Total Shareholder Return (or Relative TSR) is the share performance objective and contributes towards the incentive variable remuneration envisaged by the Plan (in the form of shares), weighing for 70%,
(ii) the Consolidated Three-Year Adjusted EBITDA is the corporate performance objective and contributes towards the incentive variable remuneration envisaged by the Plan (in the form of shares), weighing for 30%.
As at 30 June 2021, in accordance with IFRS 2, the valuation regarded the total fair value of the approved plan.
The "market based" component (Relative Total Shareholder Return) has been estimated using a stochastic simulation with the Monte Carlo Method, which, on the basis of suitable hypotheses, made it possible to define a significant number of alternative scenarios over the time frame considered.
The "non-market based" component was valued at the reporting date to account for expectations regarding the number of rights that may vest.

6.14 Financial liabilities (current and non-current)

The breakdown of current and non-current financial liabilities as at 31 December 2021 is shown below:

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Current bank loans and loans and borrowings from other financial backers	10,088	10,039
Non-current bank loans and loans and borrowings from other financial backers	24,714	34,564
Total financial liabilities	**34,803**	**44,603**
Other current financial liabilities	1,667	6,558
Other non-current financial liabilities	713	458
Total other financial liabilities	**2,380**	**7,016**
Total financial liabilities	**37,183**	**51,618**

At 31 December 2021, payables due to banks, of EUR 34,803 thousand (net of amortised cost) refer to the bank loan agreed on 26 October 2020, in the refinancing transaction by Cellularline with Banco BPM S.p.A., as agent bank and lending bank, and Intesa Sanpaolo S.p.A. as lending bank. The total maximum principal amount of the loan is EUR 50 million, with repayment in six-monthly instalments of EUR 5,000 thousand each, with final repayment on 20 June 2025. The loan is subject to a financial covenant (leverage ratio) which was complied with extensively at the reporting date. Interest on the loan accrues at a variable rate, calculated considering the Euribor plus a contractually agreed spread (currently equal to the floor of 2.05%).
The agreement also provides for a credit line for M&A operations, amounting to EUR 20 million, aimed at supporting the growth strategy by granting external lines. This line is not currently used by the Company.

The following are highlights of the financial debt outstanding at 31 December 2021:

(In thousands of Euro)	Inception	Maturity	Original amount	Balance as at 31 December 2021		
				Outstanding debt	current portion	non-current portion
Banco BPM S.p.A.	26/10/2020	20/06/2025	25,000	17,500	5,000	12,500
Intesa Sanpaolo S.p.A.	26/10/2020	20/06/2025	25,000	17,500	5,000	12,500
Financial liabilities			**50,000**	**35,000**	**10,000**	**25,000**

Loans are measured at amortised cost in accordance with IFRS 9 and therefore their carrying amount of EUR 34,803 thousand as at 31 December 2021 (EUR 44,603 thousand as at 31 December 2020), is reduced by transaction costs.
For details regarding the item Other financial liabilities (current and non-current), please refer to Note 6.20.

Details of financial liabilities by maturity are provided below:

(In thousands of Euro)	Balance as at	
	31 December 2021	31 December 2020
Within 1 year	11,796	16,596
From 1 to 5 years	25,343	34,907
Over 5 years	44	114
Total	**37,183**	**51,618**

Below is a reconciliation of the net financial indebtedness at 31 December 2021, of EUR 33,319 thousand, and at 31 December 2020, of EUR 45,398 thousand, according to the scheme envisaged by ESMA Guidance 32-382-1138 dated 4 March 2021 and indicated in the Consob Note 5/21 dated 29 April 2021:

(In thousands of Euro)	Balance as at		Changes	
	31 December 2021	31 December 2020	Δ	%
(A) Cash	3,827	6,135	(2,308)	-37.6%
(B) Other cash and cash equivalents	-	-	-	-
(C) Other current financial assets	37	86	(49)	-57.0%
(D) Cash and cash equivalents (A)+(B)+(C)	**3,863**	**6,221**	**(2,358)**	**-37.9%**
(E) Current financial liabilities	1,667	6,558	(4,891)	-74.6%
(F) Current portion of non-current indebtedness	10,088	10,039	49	0.5%
(G) Current financial indebtedness (E) + (F)	**11,755**	**16,597**	**(4,842)**	**-29.2%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*11,755*	*16,597*	*(4,842)*	*-29.2%*
(H) Net current financial indebtedness (G) - (D)	**7,892**	**10,376**	**(2,484)**	**-23.9%**
(I) Non-current financial indebtedness	25,428	35,022	(9,594)	-27.4%
(J) Debt instruments	-	-	-	-
(K) Trade payables and other current liabilities	-	-	-	-
(L) Non-current financial indebtedness (I)+(J)+(K)	**25,428**	**35,022**	**(9,594)**	**-27.4%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*25,428*	*35,022*	*(9,594)*	*-27.4%*
(M) NET FINANCIAL INDEBTEDNESS (H) + (L)	**33,319**	**45,398**	**(12,079)**	**-26.6%**

6.15 Employee benefits

As at 31 December 2021, this item, amounting to EUR 323 thousand (EUR 324 thousand as at 31 December 2020), derives from the actuarial valuation of the Company's post-employment benefits (TFR); these valuations were carried out using the "Project Unit Credit" method as provided for by IAS 19.

The actuarial model is based on:

- discount rate of 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 assumption, considering the effects that would have occurred as a result of reasonably possible changes in the actuarial assumptions at the reporting date; the results of these analyses do not give rise to significant effects.

6.16 Provisions for risks and charges

Changes in the Provisions for risks and charges, between 31 December 2020 and 31 December 2021 are shown below:

(In thousands of Euro)	**Agents' severance indemnity provision (FISC)**
Balance as at 31 December 2020	**1,488**
- of which current portion	-
- of which non-current portion	*1,488*
Accruals	138
Utilisations/Releases	(131)
Balance as at 31 December 2021	**1,495**
- of which current portion	-
- of which non-current portion	*1,495*

The Agent's severance indemnity provision (FISC) refers to the valuation of the agent's severance indemnity of the company for the amount that will be paid to agents for the termination of the agency relationship for events not attributable to 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 EUR ozone AA index in relation to the duration of the collective at 0.88%.

6.17 Trade payables

The breakdown of Trade payables as at 31 December 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Trade payables to third parties	17,783	13,895
Trade payables from related parties (Note 8)	182	49
Total trade payables	**17,965**	**13,944**

At 31 December 2021, trade payables increased compared to 31 December 2020, due to different procurement timing. These payables relate to commercial transactions with normal payment terms, all due within one year.

6.18 Current tax liabilities

The item comes to EUR 1,231 thousand (EUR 1,889 thousand at 31 December 2020) and mainly includes the residual amount payable for substitute tax on the realignment of statutory and tax amounts of the Cellularline and Interphone trademarks and the customer relationship for EUR 1,231 thousand, payment of which is expected by June 2022 and June 2023.

6.19 Other liabilities

The breakdown of Other liabilities as at 31 December 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Due to employees	1,695	1,729
Social security liabilities	857	865
Tax liabilities	661	944
Other payables	159	33
Total Other liabilities	**3,372**	**3,571**

As at 31 December 2021, other liabilities amount to EUR 3,372 thousand (EUR 3,571 thousand as at 31 December 2020) and mainly consists of:

- EUR 1,695 thousand due to employees for wages to be settled and bonuses;
- EUR 857 thousand due to social security institutions for contributions to be settled;
- EUR 661 thousand for withholding taxes on employees' salaries, self-employed workers' fees, agents' fees and VAT.

6.20 Other financial liabilities (current and non-current)

The breakdown of Other financial liabilities as at 31 December 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Other current financial liabilities	1,667	6,558
Other non-current financial liabilities	713	458
Total other financial liabilities	**2,380**	**7,016**

As at 31 December 2021, Other financial liabilities come to EUR 2,380 thousand (EUR 7,016 thousand at 31 December 2020) mainly consists of:

- the financial liability relating to warrants amounting to EUR 1,226 thousand (reclassified under other current financial liabilities) issued by the Parent Company, expressed at the spot market price on 31 December 2021. On the basis of the parameters mentioned above and applying the Mark to Market approach, in addition to the outstanding liability as at 31 December 2021, a change in fair value of EUR 573 thousand was recognised in profit or loss as financial expense.
- the lease liability deriving from the application of IFRS 16 for EUR 1,154 thousand (EUR 1,031 at 31 December 2020).

We point out that in July 2021 the Parent Company paid the debt referring to the tranche for the purchase of 80% of the subsidiary Worldconnect amounting to EUR 5,325 thousand, as provided for by the acquisition agreement signed in 2020.

6 Notes on the main items of the Income Statement

The notes to the main items of the income statement for 31 December 2021 and 31 December 2020 are provided below.

7.1 Revenue from Sales

At 31 December 2021, revenue from sales amounts to EUR 97,947 thousand (EUR 96,647 thousand in 2020). The following table shows revenue, broken down by product line and geographical area for 2021. The Company'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).

Revenue from sales by product line

in thousands of Euro	Year ended				Change	
	2021	**% of revenue**	**2020**	**% of revenue**	**Value**	**%**
Red – Italy	46,597	47.57%	45,082	46.65%	1,515	3.4%
Red – International	33,473	34.17%	37,927	39.24%	(4,454)	-11.7%
Revenue from sales - Red	**80,070**	**81.75%**	**83,010**	**85.89%**	**(2,940)**	**-3.5%**
Black – Italy	3,970	4.05%	3,050	3.16%	920	30.2%
Black – International	4,154	4.24%	4,055	4.20%	99	2.4%
Revenue from sales - Black	**8,124**	**8.29%**	**7,105**	**7.35%**	**1,019**	**14.3%**
Blue – Italy	7,769	7.93%	6,056	6.27%	1,713	28.3%
Blue – International	1,471	1.50%	0	0.00%	1,471	100.0%
Revenue from sales - Blue	**9,240**	**9.43%**	**6,056**	**6.27%**	**3,184**	**52.6%**
Other – Italy	**514**	**0.53%**	**476**	**0.49%**	**39**	**8.2%**
Total revenue from sales	**97,947**	**100.00%**	**96,647**	**100.00%**	**1,301**	**1.3%**

The Red line, which represents approximately 81.7% of revenues, registered a slight decrease of 3.5%, amounting to EUR 2,939 thousand, with a positive contribution from the domestic market and a decrease in international markets. The performance of overseas markets is still affected by both the Covid-19 restrictions in certain countries (Germany and Benelux above all) and the difficulties encountered in implementing the new route-to-market for the German market.

The Black product line increased by 14.3% compared to 2020, thanks also to the good performance of the On-line channel.

Growth in the Blue Product Line (+52.6% compared to 2020) is primarily driven by demand for Samsung brand products distributed in Italy.

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

Revenue from sales by geographical area

in thousands of Euro	Year ended				Change	
	2021	**% of revenue**	**2020**	**% of revenue**	**Δ**	**%**
Italy	58,851	60.1%	54,664	56.6%	4,187	8%
Eastern Europe	8,132	8.3%	5,560	5.8%	2,572	46%
DACH	7,078	7.2%	10,759	11.1%	(3,681)	-34%
Spain/Portugal	6,519	6.7%	5,207	5.4%	1,312	25%
France	5,700	5.8%	6,846	7.1%	(1,146)	-17%
Benelux	3,946	4.0%	5,753	6.0%	(1,807)	-31%
Northern Europe	3,838	3.9%	3,950	4.1%	(112)	-3%
Other	3,015	3.1%	2,986	3.1%	29	1%
Middle East	868	0.9%	922	1.0%	(54)	-6%
Total revenue from sales	**97,947**	**100.0%**	**96,647**	**100.0%**	**1,300**	**1%**

The growth of the Italian market, equal to 8.0% (EUR 4,187 thousand), is driven by the recovery of the domestic market following the progressive normalisation of the economic situation.

As regards international markets, a positive performance was registered in Spain, Eastern Europe, Northern Europe and the Middle East, whilst there was a decrease in the DACH area due to both the restrictions that have affected this area and the temporary effects deriving from the change in the route-to-market in Germany, as well as a decrease in the Benelux countries and in France due to the tighter restrictions resulting from the pandemic event.

7.2 Cost of sales

The cost of sales amounts to EUR 57,054 thousand in 2021 (EUR 56,117 thousand in 2020) and mainly includes the costs of purchasing and processing raw materials of EUR 52,936 thousand, related costs of EUR 620 thousand, personnel expense of EUR 1,977 thousand and logistics costs of EUR 1,521 thousand.

7.3 Sales and distribution costs

Sales and distribution costs amount to EUR 21,580 thousand (EUR 19,639 thousand in 2020), as illustrated in the table below.

(In thousands of Euro)	Year ended			
	31/12/2021	**% of revenue**	**31/12/2020**	**% of revenue**
Sales and distribution personnel expense	8,990	9.2%	8,173	8.5%
Commissions to agents	3,897	4.0%	3,655	3.8%
Transport	6,489	6.6%	5,159	5.3%
Travel costs	557	0.6%	489	0.5%
Advertising and commercial consultancy expenses	1,241	1.3%	1,571	1.6%
Other sales and distribution costs	406	0.4%	592	0.6%
Total sales and distribution costs	**21,580**	**22.0%**	**19,639**	**20.3%**

The item had a 1.7% higher incidence on revenue than in the previous year, mainly due to: (i) the increase in transport costs recorded in particular in the fourth quarter; (ii) the increase in personnel expense due to the fact that in FY 2020, action was taken to rationalise costs and mitigate the impact tied to the first wave of COVID-19 (including CIGD, reducing top management salaries, etc.), action that has not been taken in 2021; and (iii) the increase in commission to agents deriving from an increased turnover mix.

7.4 General and administrative costs

General and administrative costs amount to EUR 26,653 thousand (EUR 23,338 thousand in 2020), as illustrated in the table below.

(In thousands of Euro)	Year ended			
	31/12/2021	**% of revenue**	**31/12/2020**	**% of revenue**
Amortisation	8,430	8.6%	8,269	8.6%
Depreciation	1,577	1.6%	1,485	1.5%
Impairment of customer relationship	7,174	7.3%	4,013	4.2%
Provisions for risks and impairment losses	200	0.2%	100	0.1%
Administrative personnel expense	4,272	4.4%	4,117	4.3%
Administrative, legal, personnel consultancy etc.	2,105	2.1%	2,486	2.6%
Commissions and fees	83	0.1%	115	0.1%
Directors' and Statutory Auditors' fees	457	0.5%	420	0.4%
Other general administrative costs	2,353	2.4%	2,333	2.4%
Total general and administrative costs	**26,653**	**27.2%**	**23,338**	**24.1%**

General and administrative costs amounted to EUR 26,653 thousand in 2021, compared to EUR 23,338 thousand in 2020.

General and administrative costs increase with respect to the previous period, due to the combined effect of: (i) the impairment of the customer relationship for EUR 7,174 thousand (EUR 4,013 thousand in the previous year); (ii) the increase in personnel expenses; (iii) the increase in amortisation and depreciation of tangible and intangible assets.

7.5 Other non-operating costs and revenues

Other non-operating costs and revenue for 2021 amount to EUR 950 thousand (EUR 492 thousand in 2020), as per the table below.

(In thousands of Euro)	Year ended			
	31/12/2021	**% of revenue**	**31/12/2020**	**% of revenue**
Recoveries of SIAE fees	476	0.5%	739	0.8%
Prior year income and (expense)	(229)	-0.2%	(276)	-0.3%
(SIAE and CONAI contributions)	(656)	-0.7%	(861)	-0.9%
Other non-operating (expense)/revenue	1,359	1.4%	890	0.9%
Total other non-operating (expense)/revenue	**950**	**1.0%**	**492**	**0.5%**

7.6 Financial income and expense

Net financial expense amounts to EUR 1,984 thousand (EUR 1,416 thousand in 2020).

The following table shows details of financial income:

(In thousands of Euro)	Year ended			
	31/12/2021	**% of revenue**	**31/12/2020**	**% of revenue**
Interest income and other financial income	96	0.1%	180	0.2%
Fair value gains on warrants	-	-	796	0.8%
Total Financial income	**96**	**0.1%**	**976**	**1.0%**

Financial income amounting to EUR 96 thousand mainly refers to bank interest receivable and other financial income.

The following table shows details of financial expense:

(In thousands of Euro)	Year ended			
	31/12/2021	**% of revenue**	**31/12/2020**	**% of revenue**
Interest to banks	(1,076)	-1.1%	(1,666)	-1.7%
Bank fees/charges on fair value warrants	(949)	-1.0%	(664)	-0.7%
Interest to others (IFRS 16)	(55)	-0.1%	(62)	-0.1%
Total Financial expense	**(2,080)**	**-2.1%**	**(2,392)**	**-2.5%**

Financial expense of EUR 2,080 thousand mainly refer to:

- EUR 1,076 thousand relative to interest to banks for the medium/long-term loan stipulated in October 2020 for an original amount of EUR 50,000 thousand (the residual debt at 31 December 2021 is EUR 35,000 thousand).
- EUR 573 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 2021);
- EUR 376 thousand mainly for charges deriving from transactions on the EUR/dollar exchange rate and charges relating to the non-utilisation of credit facilities.
- EUR 55 thousand for interest relating to the application of IFRS 16.

7.7 Foreign exchange rate gains

(In thousands of Euro)	Year ended			
	31/12/2021	**% of revenue**	**31/12/2020**	**% of revenue**
Net foreign exchange gains/(losses) on trading	420	0.5%	325	0.3%
Net foreign exchange gains/(losses) on financial transactions	242	0.2%	78	0.1%
Net foreign exchange gains (losses)	**662**	**0.7%**	**403**	**0.4%**

The item Net foreign exchange gains/(losses) on trading refers to the adjustment of commercial items expressed in foreign currency as of the end of the period and the effect recognised among the financial components of the income statement, attributable to commercial transactions in USD.

The item Net foreign exchange gains/(losses) on financial transactions refers to the adjustment of items of a financial nature.

7.8 Income taxes

The breakdown of income taxes for 2021 and 2020 is shown below:

(In thousands of Euro)	Year ended	
	31/12/2021	**31/12/2020**
Current taxes of the year	(770)	(1,702)
Current taxes of previous years	267	31
Substitute tax on realignment of statutory and tax amounts	-	(1,833)
Deferred taxes	3,352	19,662
Total	**2,849**	**16,158**

The item includes the charge for current taxes pertaining to the financial year, amounting to EUR 770 thousand, and the income for taxes relating to previous financial years, amounting to EUR 267 thousand.

Deferred taxes of EUR 3,352 thousand mainly refer to:

- income due to the recognition of deferred tax assets of the Parent Company amounting to EUR 1,265 thousand on the amortisation of the Customer Relationship and the Cellularline and Interphone trademarks, and on the write-down resulting from the impairment test carried out on the Customer Relationship for EUR 2,001 thousand, as described in the paragraph on deferred tax assets;
- costs for other minor items of a total of EUR 86 thousand.

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

31/12/2021						
Amounts taken to profit or loss	**Taxable**	**Tax rate**	**(Charges to I.S.)**	**Taxable**	**Tax rate**	**Charges to I.S.**
- unpaid directors' fees	0	24.0%	-	33	24.0%	8
- accrual/(utilisation) of agents' severance indemnity	10	27.9%	(3)	25	27.9%	7
- direct write-down of inventories	820	24.0%	(197)	848	24.0%	203
- accrual/(utilisation) of allowance for inventory write-down	1,300	24.0%	(312)	1,200	24.0%	288
- foreign exchange losses on trade payables	5	24.0%	(1)	47	24.0%	11
- foreign exchange losses from valuation on loan to subsidiary	35	24.0%	(8)	-	24.0%	-
- gains from foreign exchange rate fluctuations to suppliers	2	24.0%	(1)	-	24.0%	-
- gains from loan foreign exchange rate fluctuations to associate and payable for purchase of Wo.Co. investment	206	24.0%	(49)	59	24.0%	14
- amortisation/depreciation and impairment of customer list	-	27.9%	-	10,891	27.9%	3,038
- amortisation of trademarks	-	27.9%	-	817	27.9%	228
- changes in the fair value of warrants (IAS 32)	-	24.0%	-	573	24.0%	138
- valuation differences on employee severance indemnities (IAS 19)	11	27.9%	(3)	-	27.9%	-
- actuarial differences in the agents' severance indemnity provision (IAS 37)	38	24.0%	(9)	-	24.0%	-
Total deferred tax assets/liabilities to I.S.	**2,428**		**(584)**	**14,493**		**3,936**

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

RECONCILIATION BETWEEN THE TAX CHARGE IN THE FINANCIAL STATEMENTS AND THE THEORETICAL TAX CHARGE	
Profit (loss) before taxes:	**(7,711)**
Temporary differences	
Temporary differences taxable in subsequent years (decreases of the year):	-
Temporary differences deductible in subsequent years (increases of the year):	14,362
Reversal of prior year temporary differences taxed in the year:	173
Reversal of prior year temporary differences deducted in the year:	(2,379)
Permanent differences	
Non-deductible taxes (excluding IRES and IRAP of the year)	27
Car expenses	131
Non-deductible amortisation and depreciation	242
Entertainment expenses exceeding the tax limit	11
Other non-deductible expenses	249
IRAP deduction on personnel expense	(41)
10% IRAP deduction	(29)
Patent box tax benefit	-
Fiscally-driven depreciation and amortisation	(101)
Other permanent deductions	(242)
Aid for Economic Growth (ACE) deduction	(2,634)
IRES taxable income	**2,057**
Gross current income taxes	494
Deductions for energy rating expense	(23)
Current effective IRES on pre-tax profit/loss	**471**
Determination of IRAP taxable income	
Operating profit	(6,380)
Costs considered for IRAP purposes	22,573
Tax wedge	(14,419)
Patent box tax benefit	-
Theoretic tax taxable basis	**1,774**
Current theoretical tax (3.9)	**69**
Directors' and freelancers' fees and related charges	380
Non-deductible amortisation of goodwill	4,533
Other increases in the tax base	366
Other decreases in the tax base	(249)
Tax wedge	(14,419)
Patent box tax benefit	-
IRAP taxable base	**6,804**
Current effective IRAP	**265**

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)	Balance as at	
	31 December 2021	**31 December 2020**
Cash flows from operating activities		
Profit/(loss) for the year	(4,862)	13,190
Adjustments for:		
- Amortisation/depreciation	17,182	13,767
- Net accruals and impairment losses	47	523
- Accrued financial (income)/expense	1,984	1,416
- Income taxes	(2,849)	(16,158)
- Other non-monetary movements	52	-
	11,554	**12,738**
Changes in:		
- (Increase)/Decrease in inventories	1,429	(6,019)
- (Increase)/Decrease in trade receivables	2,220	8,585
- Increase/(Decrease) in trade payables	4,021	(5,923)
- Increase/(Decrease) in other assets and liabilities	1,289	5,443
- Payment of employee benefits and change in provisions	(93)	(239)
Cash flows generated by/(used in) operating activities	**20,420**	**14,584**
Interest paid	(925)	(901)
Income taxes paid	(2,334)	(3,401)
Cash flows generated by/(used in) operating activities	**17,161**	**10,282**

Cash flows generated by/(used in) investing activities

(In thousands of Euro)	Balance as at	
	31 December 2021	**31 December 2020**
Cash flow from investment activities		
Acquisition of subsidiary, net of cash acquired and other costs	(295)	(10,000)
(Purchases)/sale of property, plant and equipment and intangible assets	(4,093)	(3,303)
Cash flows generated by/(used in) investing activities	**(4,388)**	**(13,303)**

Cash flows generated by/(used in) financing activities

(In thousands of Euro)	Balance as at	
	31 December 2021	31 December 2020
Cash flows from financing activities		
Other financial assets and liabilities	(5,232)	(5,789)
(Dividend distribution)	-	(6,612)
Net (purchase)/sale of treasury shares	-	-
Other changes in equity	-	(1,257)
Increase/(decrease) in bank loans and borrowings and loans and borrowings from other financial backers	(10,000)	(6,873)
Payment of transaction costs relating to financial liabilities	151	(276)
Net cash flows generated by/(used in) financing activities	**(15,081)**	**(20,807)**

7 Transactions with related parties

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), implemented until 31 December 2021 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 as at 31 December 2020, indicating the type of relationship:

Related parties	Type and main relationship
Cellular Swiss S.A.	Associate company owned by 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 Spain S.L.U.	100% holding in the company
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 Inmobiliaria Italiana S.L.U.	100% holding in the company
Cellular Immobiliare Helvetica S.A.	100% holding in the company
Worldconnect AG	A 80% owned company (consolidated on a line-by-line basis); the remaining shareholders are Samuel Gerber (15%) and CAE Invest AG (5%).
Coverlab S.r.l.	A 55% owned company. The remaining shareholders are Andrea Fabbri (38%) and Marco Diotallevi (7%).
Christian Aleotti	Shareholder of Cellularline S.p.A.

The table below shows the balances of transactions with related parties carried out by Cellularline and recognised in the statement of financial position as at 31 December 2021:

(In thousands of Euro)	Current trade receivables	Financial assets assets	(Trade payables)	Other assets/(liabilities)
Cellular Swiss S.A.	4,702	-	-	
Cellular Spain S.L.U.	10,537	-	-	
Systema S.r.l.	895	-	(182)	(38)
Worldconnect AG	32	4,840	-	
Cellular Inmobiliaria Italiana S.L.U.	-	345	-	
Cellular Immobiliare Helvetica S.A.	-	918	-	
Total	**16,166**	**6,103**	**(182)**	**(38)**
Impact on the financial statements item	*31.7%*	*100%*	*1.0%*	*1.1%*

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 2021:

(In thousands of Euro)	Revenue from sales	(Cost of sales)	(General and administrative costs)	Other non-operating (costs) /revenues	Financial income
Cellular Swiss S.A.	4,238	-	(2)	-	-
Cellular Spain S.L.U.	9,239	-	-	39	-
Systema S.r.l.	3,818	(1,206)	-	(20)	-
Worldconnect A.G.	3	-	-	7	94
Other	-	-	(9)	-	-
Total	**17,298**	**(1,206)**	**(11)**	**27**	94
Impact on the financial statements item	*17.7%*	*2.1%*	*0.1%*	*2.8%*	*98.8%*

The main related parties with which Cellularline carried out transactions in the year ended 31 December 2021 are as follows:

- Cellular Swiss S.A.: commercial relationship relating to the transfer of goods for sale by Cellularline to Cellular Swiss S.A., with the latter recharging a portion of the contributions of a commercial nature incurred for the acquisition of new customers and/or the development of existing customers;
- Cellular Spain SLU: commercial relationship relating to the transfer of goods for sale by Cellularline to Cellular Spain S.L.U., with the latter recharging a portion of the contributions of a commercial nature incurred for the acquisition of new customers and/or the development of existing customers;
- Systema S.r.l.: commercial relationship relating to the transfer of goods for sale by Cellularline to Systema S.r.l.;
- Christian Aleotti: two lease agreements with Cellularline as lessee notably, signed on 1 September 2017 and 16 October 2017.

8 Other information

Highlights of the financial statements of the company exercising management and coordination activities

The company is not managed and coordinated by another company.

Contingent liabilities

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

Risks

The Company is exposed to the various risks already illustrated in Paragraph 13 of the 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 2021**	**Average 2020**
Managers	14	13
Junior managers	38	34
Clerical staff	128	139
Blue collar workers	2	2
Apprentices	10	12
TOTAL	**192**	**202**

Remuneration of Managing Directors and Key Managers

The table below shows the renuneration of Managing Directors and Key Managers:

Category	**2021**	**2020**
(In thousands of Euro)		
Managing Directors	1,069	1,000
Other key managers	152	204
Total remuneration	**1,221**	**1,204**

The compensation of the Managing Directors includes both the emolument for that office and compensation as executives.

Directors' and Statutory Auditors' fees

The Directors' fees for 2021 amounts to approximately EUR 317 thousand.

The Statutory Auditors' fees for 2021 amount to approximately EUR 77 thousand.

Independent Auditors' fees

By resolution of the Shareholders' Meeting of 16 April 2019, the Company appointed KPMG S.p.A. as independent auditor until the approval of the financial statements as at and for the year ended 31 Dicembre 2027. Fees for the statutory audit of the separate and consolidated financial statements (annual and half-yearly) amount to a total of EUR 113 thousand, in addition to EUR 16 thousand for other accounting services as shown in the following table:

(In thousands of Euro)		
Type of services	**2021**	**2020**
A) Audit services	113	83
B) Attestation services	13	8
C) Other services	3	13
Total	**129**	**104**

KEY EVENTS AFTER THE REPORTING DATE

AEO (Authorised Economic Operator) authorisation granted by the Customs and Monopolies Agency: Cellularline has obtained the authorisation with the highest degree of reliability (AA) in both customs simplification (AEOC) and security (AEOS), demonstrating the high level of compliance achieved within the supply chain. Since it is valid throughout the European Union, but also recognised in important third countries including the United States, China, Japan and Switzerland, this authorisation will ensure Cellularline an even higher standing at a global level, consolidating the leadership achieved by the Group in the EMEA area and facilitating its expansion into other international markets.

Resignation of a Non-Executive Director and co-optation of a Director

In February 2022, the Non-Executive Director of Cellularline S.p.A. - Stefano Cerrato - resigned. Following his resignation, in February 2022, Davide Danieli - currently Group Chief Corporate & Financial Officer, Investor Relater and Manager responsible for preparing the financial information as of 21 April 2021 - was co-opted as a non-executive Director.

Reggio Emilia, 17 March 2022

The Chairman of the Board of Directors

Antonio Luigi Tazartes

APPROVAL OF THE FINANCIAL STATEMENTS AND RELATED RESOLUTIONS

Shareholders,
we invite you to approve the draft financial statements of your Company as at and for the year ended 31 December 2021 and, we propose to fully cover the loss of Euro 4,862,141.76 through the Retained Earnings Reserve.

We also propose allocating the amount of Euro 2,314,186.32 from the Retained Earnings Reserve to the Legal Reserve, so as to have the Legal Reserve to the limit of one fifth of share capital, pursuant to art. 2430 of the Italian Civil Code.

Lastly, we propose that you approve the distribution of a dividend partly in cash and partly through the assignment of treasury shares held in portfolio, according to the procedures described below:

- for the cash portion: the distribution of an amount equal to Euro 0.05 (gross for each ordinary share in circulation (excluding treasury shares), using the Retained Earnings Reserve; and

as regards the portion in shares: the assignment of treasury shares in the portfolio based on a ratio of 1 share for every 32 ordinary shares of Cellularline S.p.A. (rounded down to the nearest unit), for a total maximum of 632,240 shares (corresponding to 2.9% of the share capital) that can be fully withdrawn from the treasury shares held by the Company, with a consequent reduction in the related Reserve.

The Chairman of the Board of Directors

____

Antonio Luigi Tazartes

ATTESTATION OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021 PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED AND SUPPLEMENTED

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

- that the financial statements are consistent with the characteristics of the business;
- that the administrative and accounting procedures for the preparation of the financial statements as at and for the year ended 31 December 2021 have been effectively applied.

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

3. We also attest that:

3.1 the Financial Statements as at and for the year ended 31 December 2021 of Cellularline S.p.A.:

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

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, together with a description of the main risks and uncertainties to which they are exposed.

Reggio Emilia, 17 March 2022

Christian Aleotti	Marco Cagnetta
______________________	______________________
Chief Executive Officer	Chief Executive Officer

Davide Danieli

____

Manager responsible for preparing financial information

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

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

To the shareholders of
Cellularline S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Cellularline S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2021, 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 2021 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 2021 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 parent's board of directors on 9 March 2022. 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 2022-2025 business plan (the "plan"), approved by the board of directors on 9 March 2022, 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	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 2021 actual data and the related previous forecasts; — analysing the reasonableness and appropriateness of i) the key assumptions used by the directors to determine the operating cash flows and ii) the valuation models adopted. Our analyses included comparing the key assumptions used to the company's historical data and external information, where available; — checking the directors' sensitivity analysis described in the notes in relation to the key assumptions used for impairment testing; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test, 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
(including expected inflation and exchange rates) and that of the company's sector and the actual cash flows generated by the CGU in recent years; — the financial parameters to be used to discount the above cash flows. The risk of material misstatement in the estimated operating cash flows used by the directors for impairment testing has increased as a result of the higher level of uncertainty arising from the current and potential future economic conditions, including with 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 6.1.2 – Impairment test on customer relationships.

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2021 include customer relationships and trademarks with a finite useful life (the "intangible assets") of €32.1 million and €16.3 million, respectively, net of accumulated amortisation and accumulated impairment losses of €27.6 million and €7.7 million, respectively. The directors, assisted by an independent advisor, tested customer relationships 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 9 March 2022. The directors estimated the recoverable amount 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	Our audit procedures, which also involved our own valuation specialists, included: — understanding the processes adopted for testing customer relationships for impairment and the residual expected cash flows 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, 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 customer relationships for impairment, also in the light of the current macroeconomic

Key audit matter	Audit procedures addressing the key audit matter
expected cash flows over the assets' residual useful life. Based on approved internal analyses, the directors did not identify any specific indicators that the trademarks with a finite useful life could be impaired, considering: (i) the extensive headroom resulting from the previous impairment tests carried out at 30 June 2021 and 31 December 2020, (ii) the consistency of the financial and non-financial parameters underlying the calculation, (iii) the consistency of the royalty rate in line with the parameter used at the time of the purchase price allocation ("PPA") and (iii) the main financial indicators of the plan prepared by the directors. Testing customer relationships for impairment and the internal analyses entail 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 and exchange rates); — the financial parameters to be used to discount the above cash flows; — the assumptions underlying the internal analyses relating to the trademarks with a finite useful life. The risk of material misstatement in the estimated operating cash flows, as well as the financial parameters used for discounting the above cash flows for the purposes of testing customer relationships for impairment, has increased as a result of the higher level of uncertainty arising from the current and potential future economic conditions, including with 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.	scenario and the financial effects of the Covid-19 pandemic; — analysing the internal analyses approved by the directors to check the absence of specific indicators that the carrying amount of the trademarks with a finite useful life could be impaired, 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 impairment tests of customer relationships, 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 separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

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

events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 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 2021 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 2021 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 2022

KPMG S.p.A.

(signed on the original)

Davide Stabellini
Director of Audit

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

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

To the shareholders of
Cellularline S.p.A.

Report on the audit of the 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 2021, 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 2021 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 2021 include goodwill of €108.8 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 9 March 2022. 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 2022-2025 business plan (the "plan"), approved by the board of directors on 9 March 2022, 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	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 2021 actual data and the related previous forecasts; — analysing the reasonableness and appropriateness of i) the key assumptions used by the directors to determine the operating cash flows and ii) the valuation models adopted. Our analyses included comparing the key assumptions used to the 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
(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 directors for impairment testing has increased as a result of the higher level of uncertainty arising from the current and potential future economic conditions, including with 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 customer relationships.

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2021 include customer relationships and trademarks with a finite useful life (the "intangible assets") of €36.2 million and €19.1 million, respectively, net of accumulated amortisation and accumulated impairment losses of €28.7 million and €8.1 million, respectively. The directors, assisted by an independent advisor, tested customer relationships 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 group companies' boards of directors on 9 March 2022. The directors estimated the recoverable amount 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.	Our audit procedures, which also involved our own valuation specialists, included: — understanding the processes adopted for testing customer relationships for impairment and the residual expected cash flows 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, 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 customer relationships for impairment, also in the light of the current macroeconomic

Key audit matter	Audit procedures addressing the key audit matter
Based on approved internal analyses, the directors did not identify any specific indicators that the trademarks with a finite useful life could be impaired, considering: (i) the extensive headroom resulting from the previous impairment tests carried out at 30 June 2021 and 31 December 2020, (ii) the consistency of the financial and non-financial parameters underlying the calculation, (iii) the consistency of the royalty rate in line with the parameter used at the time of the purchase price allocation ("PPA") and (iii) the main financial indicators of the plan prepared by the directors. Testing customer relationships for impairment and the internal analyses entail 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 and exchange rates); — the financial parameters to be used to discount the above cash flows. The risk of material misstatement in the estimated operating cash flows, as well as the financial parameters used for discounting the above cash flows for the purposes of testing customer relationships for impairment, has increased as a result of the higher level of uncertainty arising from the current and potential future economic conditions, including with 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.	scenario and the financial effects of the Covid-19 pandemic; — analysing the internal analyses approved by the directors to check the absence of specific indicators that the carrying amount of the trademarks with a finite useful life could be impaired, 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 impairment tests of customer relationships, 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 on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

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

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

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

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

The 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 2021 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 2021 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 2021 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 2022

KPMG S.p.A.

(signed on the original)

Davide Stabellini
Director of Audit