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

[CELLULARLINEGROUP]

www.cellularlinegroup.com

CONSOLIDATED INTERIM FINANCIAL REPORT AS AT 30 JUNE 2020

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CERTIFICATION OF THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020 PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED AND SUPPLEMENTED 73

COMPANY DATA OF THE PARENT CELLULARLINE S.p.A.

Registered Office:

Cellularline S.p.A.

Via Grigoris Lambrakis 1/a

42122 Reggio Emilia (RE) - Italy

Legal details:

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

VAT reg. no. and Tax Code 09800730963

Economic and Administrative Register RE-315329

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

ISIN: IT0005244618

Alphanumeric code: CELL

Corporate website: www.cellularlinegroup.com

CORPORATE BODIES

Board of Directors

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

Control and Risk Committee

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

Appointments and Remuneration Committee

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

Related party transaction committee

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

Supervisory Body

Anna Doro	Chairperson
Fabrizio Capponi	Member
Ester Marino	Member

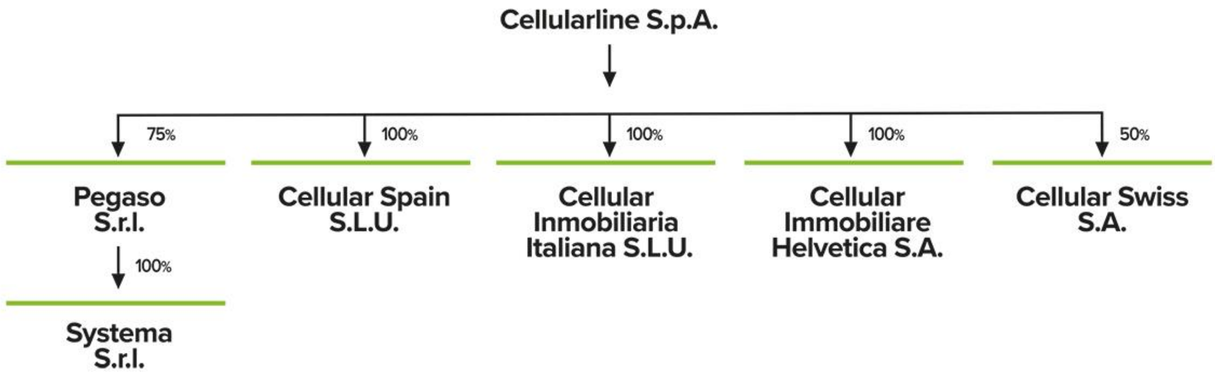
Board of Auditors

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

Independent Audit

KPMG S.p.A.

GROUP STRUCTURE AS AT 30 JUNE 2020



GROUP COMPOSITION

As of 30 June, 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 accessories and devices 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 building 2 ship 1, Leganes (Madrid), a wholly-owned subsidiary company, which distributes the Cellularline brand to 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 Edi 2 Ship 27, Leganes (Madrid), a wholly-owned subsidiary company, 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 company, 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 is a company engaged at European level in the market for mobile phone accessories in the Telcochannel;

- 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 associated company, which distributes the Cellularline products to the Swiss market.

Please also note that in July 2020, 80% of Worldconnect AG, the world market leader in premium travel adapters, was acquired. Founded in 2002, and based in Diepoldsau (Switzerland), Worldconnect - through its trademarks SKROSS and Q2 Power and leading OEM partnerships - operates internationally with a vast range of products comprising multiple travel adapters, specific adapters for individual countries and power peripheral devices.

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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, Germany, Austria, Switzerland, Belgium and Holland, and boasts a good competitive position in the other European countries.

The parent (Cellularline S.p.A.) is the result of the merger by incorporation (the “Business Combination”), 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 transitioned to the STAR Segment of the Italian Electronic Stock Exchange (MTA) and, as a result, the preparation of the Condensed Half-Year Consolidated Financial Statements became mandatory.

These Condensed Half-Year Consolidated financial statements for the six-month period ended 30 June 2020 include the financial statements of the Parent Company and its subsidiaries (hereinafter also the “Group” or the “Cellularline Group”).

2. Methodological notes

In the remainder of this Interim directors’ report, information is provided on the economic and financial position of the Cellularline Group as at 30 June 2020, compared with the figures for the previous interim period ended 30 June 2019.

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

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

3. Accounting policies

This Director's Report at 30 June 2020 was prepared in accordance with the provisions of art. 154-*ter*, paragraph 4 of Legislative Decree no. 58/98 of the Consolidated Finance Act - and subsequent amendments and additions - in compliance with art. 2.2.3 of the Stock Exchange Regulations - and in application of IAS 34. It does not include all the information required by IFRS for the preparation of the annual financial statements and must therefore be read together with the Consolidated Financial Statements of the Cellularline Group as at end for the year ended 31 December 2019. The accounting standards and criteria adopted are consistent with those used for the annual consolidated financial statements at 31 December 2019.

In order to facilitate an understanding of the Group's economic and financial performance, a number of Alternative Performance Indicators ("APIs") were identified, as defined by the ESMA 2015/1415 guidance. 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 a substitute for the indicators required by the accounting standards applied (IFRS), (iv) these APIs must be read together with the Group's financial information taken from the Condensed Half-Year Consolidated Financial Statements; (v) the definitions and criteria adopted to determine the indicators used by the Group, as they do not derive from the accounting standards applied, may not be consistent with those adopted by other companies or groups and, therefore, may not be comparable with those possibly presented by such parties, and (vi) the APIs used by the Group are calculated according to a continuous and consistent definition and presentation for all the periods for which financial information is included in the Condensed Half-Year Consolidated Financial Statements.

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

4. Main financial and operational indicators[1]

(In thousands of Euro)	Half year ending on	
	30 June 2020	**30 June 2019**
Operating indicators for the half-year		
Revenues	36,621	55,288
Adjusted EBITDA[2]	1,234	9,183
Adjusted EBIT[3]	(690)	7,609
Group profit /loss	(3,921)	2,576
Adjusted Group profit/loss[4]	(666)	6,205

(In thousands of Euro)	Situation as at		
	30 June 2020	**31 December 2019**	**30 June 2019**
Indicators from Statement of Financial Position			
Cash flow generated by operating activities	(668)	20,368	942
Adjusted Cash flow generated by operating activities	248	23,494	4,212
Net financial indebtedness	33,409	24,558	39,574
Adjusted net financial indebtedness	32,643	23,109	32,114
Adjusted net financial indebtedness/Adjusted EBITDA LTM[5]	1.3	0.7	0.9
Cash generation[6]	(327)	29,660	7,311
Cash Conversion Ratio[7]	(26.4%)	89.7%	79.6%

For more details with reference to the change in cash flows generated by operations, please refer to paragraph 7. "Statement of Financial Position" included in this Interim Director's 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 and on Black Friday.

The EMEA market environment for smartphone accessories worth less than Euro 100 - which is the one in which the Group mainly operates - showed a significant decline in the first half of 2020 (-25% if audio products are excluded, -15% if they are included), almost exclusively due to the COVID-19, which also penalised smartphone sales significantly, especially from March to May. The trend was negative in all the main European markets with a

[1] The adjusted indicators are not identified as an accounting measure under IFRS and, therefore, should not be considered a substitute measure to value the Group's results. Since the composition of these indicators is not regulated by the reference accounting standards, the Group's determination criterion applied may not be consistent with the one adopted by other companies or with the one that may be adopted in the future by the Group, or created by it, and thus not comparable.

[2] Adjusted EBITDA is given by the adjusted Consolidated EBITDA (i) of non-recurring charges/(income), (ii) of the effects deriving from non-recurring 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), (ii) the effects deriving from non-recurring events (iii) events linked to extraordinary operations and (iv) adjustments of the amortisation and depreciation relating to the Purchase Price Allocation.

[4] Adjusted Consolidated Profit for the Period is calculated as adjusted Result of the Period of the (i) adjustments incorporated in Adjusted EBITDA, (ii) adjustments of amortisation and depreciation relating to the Purchase Price Allocation, (ii) adjustments of non-recurring financial charges/(income) and (v) the theoretical tax impact of these adjustments.

[5] In order to ensure the comparability of the Adjusted net financial indebtedness/Adjusted EBITDA LTM indicator, the Adjusted EBITDA figure for the last twelve months was considered. Adjusted net financial indebtedness is adjusted for financial payables per warrant.

[6] Cash generation is an indicator of the Group's ability to generate cash and is calculated as the difference between Adjusted EBITDA and Capex.

[7] Cash Conversion Ratio is an indicator of the Group's ability to generate cash and is calculated as the percentage ratio between Cash Generation and Adjusted EBITDA.

slightly more unfavourable trend in those countries where lock-down was more prolonged (e.g. Italy and Spain, whose market - excluding audio - fell by more than 30%).

6. Group highlights

The income statement schedules presented in this Directors' Report have been reclassified in accordance with the presentation methods deemed useful by Management to represent the trend in the Group's operating profitability during the six months.

Income Statement

	Half year ending on 30 June 2020	*Of which related parties*	% of revenues	Half year ending on 30 June 2019	*Of which related parties*	% of revenues
Revenues from sales	36,621	1,571	*100%*	55,288	1,942	*100%*
Cost of sales	(22,708)	-	*-62.0%*	(30,356)	-	*-54.9%*
Gross Margin	**13,913**	**-**	*38.0%*	**24,932**	**-**	*45.1%*
Sales and distribution costs	(9,913)	-	*-27.1%*	(11,922)	-	*-21.6%*
General and administrative costs	(10,465)	(12)	*-28.6%*	(10,131)	(20)	*-18.3%*
Other non-operating costs/ (revenues)	363	(27)	*1.0%*	320	(53)	*0.6%*
Operating profit/loss	**(6,102)**	**-**	*-16.7%*	**3,199**	**-**	*5.8%*
* of which tangible and intangible amortisation and depreciation	4,943	-	*13.5%*	4,451	-	*8.1%*
* of which extraordinary costs COVID-19	1,410	-	*3.8%*	-	-	-
* of which costs from Business Combination/STAR/M&A/other extraordinary costs	807	-	*2.2%*	1,611	-	*2.9%*
* of which operating foreign exchange gains/(losses)	177	-	*0.5%*	(77)	-	*0.2%*
Adjusted operating profit/loss (EBITDA)	**1,234**	**-**	*3.4%*	**9,183**	**-**	*16.9%*
Financial income	908	-	*2.5%*	210	-	*0.4%*
(Financial charges)	(821)	-	*-2.2%*	(975)	-	*-1.8%*
Gains/(losses) on exchange rates	203	-	*0.6%*	(77)	-	*-0.1%*
Income from (Expense on) equity investments	345	-	*0.9%*	-	-	-
Profit/loss before taxes	**(5,466)**	-	*-14.9%*	**2,356**	-	*4.5%*
* of which extraordinary costs COVID-19	1,410	-	*3.8%*	-	-	-
* of which costs from Business Combination/STAR/M&A/other extraordinary costs	807	-	*2.2%*	1,611	-	*2.9%*
* of which PPA amortisation and depreciation	3,018	-	*8.2%*	2,877	-	*5.2%*
* of which gains from fair value warrants	(683)	-	*-2.5%*	(74)	-	*--0.1%*
Adjusted profit/loss before taxes	**(914)**	-	*-14.9%*	**6,770**	**-**	*13.9%*
Current and deferred taxes	1,545	-	*4.2%*	220	-	*0.4%*
Profit/loss before minority interests	**(3,921)**	-	*-10.7%*	**2,576**	-	*4.7%*
Profit/loss for minority interests	**-**	-	*-0.0%*	**(1)**	-	*-0.0%*
Group profit /loss	**(3,921)**	-	*-10.7%*	**2,575**	-	*4.7%*
* of which extraordinary costs COVID-19	1,410	-	*3.8%*	-	-	-
* of which costs from Business Combination/STAR/M&A/other extraordinary costs	807	-	*2.2%*	1,611	-	*2.9%*
* of which tax effect on costs for COVID-19/Business Combination /STAR/M&A/other costs	(618)	-	*-1.7%*	-	-	-
* of which PPA amortisation and depreciation, net of tax effect	2,176	-	*5.9%*	2,074	-	*3.7%*
* of which fair value warrant, net of tax effect	(519)	-	*-1.4%*	(56)	-	*-0.1%*
Adjusted Group profit/loss for the year	**(666)**	**-**	*-1.8%*	**6,205**	**-**	*12.7%*

6.1 Consolidated revenues

It should be noted that the Group's revenue in first half of the year, given the seasonality of the business, with sell-in (value of sales to distributors/retailers) and sell-out (value of sales by retailers to final customers) in the first half of the year generally accounting for less than 40% of the annual trend, are not necessarily representative of an annual trend.

It should also be noted that revenues in the first half of the year were significantly affected, starting from mid-March, by the effects of the containment measures implemented by the Authorities following the spread of COVID-19; these effects were mitigated starting in June 2020.

Compared to the same half of the previous year, the general trend in revenue is therefore a decrease of Euro 18,667 thousand, as a consequence of the lower performance of all three product lines (Red, Black and Blue) from mid-March. The decrease is mainly due to the effects of the COVID-19 health emergency, which was offset to a small extent by the Group's positive performance in the period prior to the lock-down and the growth resulting from the contribution of Systema, acquired in April 2019.

In general, for the Red Line, the trend in European markets in the first half of 2020 was characterised by a negative performance in the accessories segment, also in correlation with the negative market trend of smartphones.

6.1.1 Revenues from Sales by product line

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

(i) Red product 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 and wearable technology products);

(ii) Black product 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 product line, which includes all the products marketed in Italy not under the Group's proprietary brands (SanDisk and Vivanco products, to which Huawei and Samsung products have been added since January 2019).

The following table shows revenues, broken down by product, for the periods analysed:

Revenues from sales by product line

(In thousands of Euro)	Half year ending on				Change	
	30 June 2020	% of revenues	30 June 2019	% of revenues	Δ	%
Red - Italy	12,540	34.2%	24,507	44.3%	(11,967)	(48.8%)
Red – International	16,504	45.1%	20,922	37.8%	(4,418)	(21.1%)
Revenues from sales - Red	**29,044**	**79.3%**	**45,429**	**82.2%**	**(16,385)**	**(36.1%)**
Black – Italy	1,233	3.4%	2,310	4.2%	(1,077)	(46.6%)
Black – International	2,082	5.7%	2,116	3.8%	(34)	(1.6%)
Revenues from sales - Black	**3,315**	**9.1%**	**4,426**	**8.0%**	**(1,111)**	**(25.1%)**
Blue – Italy	2,954	8.1%	4,241	7.7%	(1,287)	(30.3%)
Blue - International	1,141	3.1%	836	1.5%	305	36.5%
Revenues from sales - Blue	**4,095**	**11.2%**	**5,077**	**9.2%**	**(982)**	**(19.3%)**
Others - Italy	167	0.5%	357	0.6%	(190)	(53.3%)
Revenues from sales/Others	**167**	**0.5%**	**357**	**0.6%**	**(190)**	**(53.3%)**
Total Revenues from sales	**36,621**	**100%**	**55,288**	**100%**	**(18,667)**	**(33.8%)**

The Red product line, which accounts for approximately 79% of the Group's consolidated revenues, is the one that recorded the largest decrease (-36%), amounting to Euro 16,385 thousand in the first half of 2020, mainly due to the above-mentioned COVID-19 effects, especially in the domestic sector - particularly affected by the anticipated and prolonged restrictive measures currently in place by the Italian authorities with respect to other European countries, by the reduction in stock levels by some Italian retailers even in the weeks following the reopening of the stores - in small part offset by the contribution of Systema's growth of approximately Euro 0.2 million.

The Black product line recorded a decrease of -25% compared to the first half of 2019, lower than the Group's average decrease, thanks to this line's greater presence in non-EU markets (where lock-downs started later and less stringent than in European markets) and the good performance of current on-line sales also through the dedicated proprietary website launched at the end of 2019.

The decrease in the Blue product line (-19% compared to 30 June 2019) was positively impacted by Systema's growth of approximately Euro 0.3 million and was affected by the positive effects of the distribution projects in Italy of Samsung and Huawei branded accessories launched in the first half of 2019.

6.1.2 Consolidated revenues by geographical area

The following table shows revenues, broken down by geographical area, for the periods analysed:

Revenues from Sales by geographical area

(In thousands of Euro)	Half year ending on				Change	
	30 June 2020	% of revenues	30 June 2019	% of revenues	Δ	%
Italy	16,894	46.1%	31,414	56.8%	(14,520)	(46.2%)
Benelux	3,781	10.3%	2,957	5.3%	824	27.9%
Austria/Germany	3,344	9.1%	5,472	9.9%	(2,128)	(38.9%)
France	3,161	8.6%	3,802	6.9%	(641)	(16.9%)
Eastern Europe	2,382	6.5%	2,686	4.9%	(303)	(11.3%)
Spain/Portugal	2,226	6.1%	2,916	5.3%	(690)	(23.7%)
Northern Europe	1,713	4.7%	2,054	3.7%	(341)	(16.6%)
Switzerland	1,601	4.4%	2,194	4.0%	(592)	(27.0%)
Middle East	266	0.7%	573	1.0%	(307)	(53.6%)
Others	1,253	3.4%	1,220	2.2%	33	2.7%
Total Revenues from sales	**36,621**	**100%**	**55,288**	**100%**	**(18,667)**	**(33.8%)**

The decrease in the Italian market, equal to 46%, compared to the same period of the previous year and higher than the average in other European countries, is due to the above mentioned impact of the health emergency that has significantly penalised the national territory and the phenomena of stock reductions by the main Italian retailers, even in the weeks following the reopening of stores.

With regard to international markets, there was a positive trend in Benelux (mainly due to the acquisition of Systema).

6.2 Cost of sales

The cost of sales amounted to Euro 22,708 thousand in the first half of 2020, compared to Euro 30,356 thousand as at 30 June 2019. The Cost of sales has been adjusted to take into account the extraordinary effect, amounting to Euro 1,250 thousand (or 3.4%), following the collection of unsold goods from our customers - carried out with a view to partnership - and the greater obsolescence due to the loss of sales caused by the COVID-19. Net of this effect, the cost of goods sold as a percentage of sales was 58.6%, up 3.7% over the same period last year. This increase is attributable to the following reasons, having partly temporal effects: i) lower absorption of fixed costs included in cost of sales (mainly logistics and staff) as a result of the reduction in sales (approx. 1.4%); ii) consolidation of sales in the first quarter of Systema, a company operating in the Telco channel, characterised by a lower margin than the average margin realised by the Group (approx. 1.2%); iii) less favourable product mix, also due to Covid-19 (approx. 1.1%).

Overall, during the six months product costs in USD in the Far East were substantially stable compared to the previous period. Considering the increase in air transport costs as a result of the COVID-19 emergency, the Group has favoured - when possible and not penalising the market positioning at a strategic level - the supply by sea, thus benefiting from slightly more favourable average transport costs, despite an increase in stock levels.

6.3 Sales and distribution costs

(In thousands of Euro)	Half year ending on		Changes	
	30 June 2020	30 June 2019	Δ	%
Personnel costs for sales and distribution	4,674	5,064	(390)	-7.7%
Agent commissions	1,683	2,675	(992)	-37.1%
Transport	2,390	2,046	344	16.8%
Advertising and consultancy expenses	577	804	(227)	-28.2%
Travel costs	256	740	(484)	-65.4%
Other sales and distribution costs	333	593	(260)	-43.8%
Total Sales and distribution costs	**9,913**	**11,922**	**(2,009)**	**-16.9%**

This item, despite a significant absolute reduction, had a 5.5% higher incidence on revenues than in the first half of 2019, mainly due to the lower absorption of fixed costs and the increase in transport tariffs during the COVID-19 period, partially offset by the reduction in costs linked to activities - marketing, trade marketing, trade fairs and travel - limited by the restrictions on mobility imposed by the Authorities, in addition to the effects of the cost rationalisation actions implemented by Group Management to mitigate the economic and financial impact of the COVID-19, which produced effects mainly from the second quarter of 2020.

6.4 General and administrative costs

(In thousands of Euro)	Half year ending on		Changes	
	30 June 2020	30 June 2019	Δ	%
Amortisation of intangible assets	4,110	3,676	434	11.8%
Depreciation of property, plant and equipment	819	775	44	5.7%
Provisions for risks and write-downs	125	55	70	127.3 %
Cost of administrative staff	2,226	2,406	(180)	-7.5%
Administrative, legal, personnel and management consultancy	1,346	1,818	(472)	-26.0%
Commissions and fees	64	125	(61)	-48.8%
Remuneration of the BoD and Board of Statutory Auditors	464	271	193	71.2%
Other general and administrative costs	1,311	1,005	306	30.4%
Total General and administrative costs	**10,465**	**10,131**	**329**	**3.2%**

General and administrative costs, net of the amortisation of intangible assets deriving from the Purchase Price Allocation (Euro 3,018 thousand), extraordinary costs and the effect of the consolidation of Systema, decreased compared to the previous half year thanks to the already mentioned cost rationalisation actions implemented by the Group Management to mitigate the economic and financial impact of COVID-19 (including extraordinary lay-off funds, reduction of top management salaries, etc.), which produced effects mainly starting from the second quarter of 2020.

6.5 Other non-operating costs and revenues

This item includes non-operating costs and revenues for a net positive balance of Euro 363 thousand; these refer to costs and revenues for which the Group performs a marginal operating function. The item can be broken down as follows:

(In thousands of Euro)	Half year ending on		Changes	
	30 June 2020	**30 June 2019**	**Δ**	**%**
Contingent assets	267	176	91	51.7%
SIAE fees recovered	260	292	(32)	-11.0%
Recovery from suppliers for promotions	-	64	(64)	-100.0%
(SIAE and CONAI contributions)	(316)	(334)	18	-5.4%
(Contingent liabilities)	(254)	(130)	(124)	95.4%
Other non-operating (costs) /revenues	406	252	154	61.1%
Total Other non-operating (costs) / revenues	**363**	**320**	**43**	**13.8%**

There were no significant changes compared to the same previous half year.

6.6 Adjusted EBITDA

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

(In thousands of Euro)	Half year ending on		Changes	
	30 June 2020	**30 June 2019**	**Δ**	**%**
Operating profit/loss	**(6,102)**	**3,199**	**(9,301)**	**>100%**
Amortisation/Depreciation of intangible and tangible assets	4,943	4,451	492	11.0%
Non-recurring costs COVID-19	1,410	-	1,410	<100%
Business Combination/STAR/M&A/other extraordinary costs	807	1,611	(804)	-49.9%
Operating foreign exchange gains / (losses)	177	(77)	254	**>100%**
Adjusted EBITDA	**1,234**	**9,183**	**(7,949)**	**-86.5%**

Adjusted EBITDA was Euro 1,234 thousand (Euro 9,183 thousand in the first half of 2019), a decrease of 86.5%, and accounted for 3.4% of revenues (16.9% in H1 2019).

The significant reduction in the margin of 13.5% compared to the previous half year is linked to the non-absorption of fixed costs compared to the reduction in turnover recorded in the first half of the year, despite the actions taken by Management to rationalise costs. The decrease in the absolute value of Adjusted EBITDA in the half-year is explained by the effects described above on revenues disclosures and is influenced by the essentially linear distribution of overheads during the year compared to the seasonal nature of revenues (the Group historically records 60% of sales in the second half of the year).

The adjustments made to EBITDA, excluding amortisation and depreciation, amounted to Euro 2,394 thousand in the first half of 2020 (Euro 1,534 thousand in the same six-month period of 2019) and mainly consisted of:

(i) non-recurring costs linked to the COVID-19 health emergency for Euro 1,410 thousand, of which Euro 1,250 thousand relating to higher returns received from main customers - made with a view to partnership - and the higher obsolescence of inventories due to lost sales;

(ii) Business Combination/STAR/M&A/other extraordinary costs: these include costs of financial, legal and non-recurring consulting services related to the STAR segment translisting , costs of consulting services on M&A transactions for the acquisition of Worldconnect AG and the exercise of the option, for the purchase of a further of 15% Pegaso S.r.l., of Systema's parent company, in execution of the option contract signed in 2019, as well as non-recurring expense/incentives;

(iii) operating foreign exchange gains/(losses): the figure relates to the effect of the adjustment of trade items expressed in foreign currencies at the closing date of the period and the effect recognised in the financial items of the income statement, attributable to currency purchase transactions for trade transactions in dollars; although these are not non-recurring income and expenses, with this adjustment the Group intends to represent the operating performance, net of currency effects.

6.7 Financial income and charges

Net financial income and charges amounted to 87 thousand (net financial charge of Euro 765 thousand in the first half of 30 June 2019):

(In thousands of Euro)	Half year ending on		Changes	
	30 June 2020	30 June 2019	Δ	%
Other financial income and change in fair value	813	136	677	>100%
interest receivable	95	74	21	28.4%
Total Financial income	**908**	**210**	**698**	**>100%**
Interest expense on medium/long-term loans	(658)	(820)	162	-19.8%
Other interest expense	(44)	(94)	50	-53.2%
Commissions and fees	(119)	(61)	(58)	95.1%
Total Financial charges	**(821)**	**(975)**	**154**	**-15.8%**
Total Financial income (and charges)	**87**	**(765)**	**852**	**<100%**

Financial income of Euro 908 thousand mainly refers to:

- The euro 683 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 30 June 2020);
- The euro 73 thousand fair value gain in derivatives for exchange rate hedging;
- Euro 95 thousand to bank interest income.

Financial charges of Euro 821 thousand mainly refer to interest due to banks, related to the loan started on 29 June 2017 for an original amount of Euro 85,000 thousand.

The decrease compared with the previous six months is mainly due to the decrease in the Group's average gross indebtedness.

6.8 Gains/(losses) on exchange rates

(In thousands of Euro)	Half year ending on		Changes	
	30 June 2020	30 June 2019	Δ	%
Gains/(losses) on commercial exchanges	177	(77)	254	>100%
Gains/(losses) on financial exchanges	26	-	26	<100%
Total Gains/(losses) on exchange rates	**203**	**(77)**	**280**	**>100%**

The positive change of Euro 280 thousand is mainly due to the favourable trend of the EUR/USD exchange rate in the latter part of the first half of 2020.

6.9 Adjusted EBIT

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

(In thousands of Euro)	Half year ending on		Changes	
	30 June 2020	30 June 2019	Δ	%
Operating profit/loss	**(6,102)**	**3,199**	**(9,301)**	**>100%**
PPA amortisation	3,018	2,877	141	4.9%
Non-recurring costs COVID-19	1,410	0	1,410	>100%
Business Combination/STAR/M&A/other extraordinary costs	807	1,611	(804)	-49.9%
Operating foreign exchange gains / (losses)	177	(77)	254	<100%
Adjusted EBIT	**(690)**	**7,609**	**(8,299)**	<100%

Adjusted EBIT was negative for Euro 690 thousand (positive for Euro 7,609 thousand in 2019). The decrease is essentially due to the factors mentioned in the section on Adjusted EBITDA, in addition to the increase in amortisation and depreciation of the Purchase Price Allocation relating to Systema, acquired in April 2019.

6.10 Adjusted Group profit/loss

The main data used to calculate the Adjusted Group profit/loss is shown below:

(In thousands of Euro)	Half year ending on		Changes	
	30 June 2020	30 June 2019	Δ	%
Group profit /loss	**(3,921)**	**2,576**	**(6,497)**	<100%
Non-recurring costs COVID-19	1,410	0	1,410	>100%
Business Combination/STAR/M&A/other extraordinary costs	807	1,611	(804)	-49.9%
Tax effect on Business Combination/STAR/M&A/other extraordinary costs	(618)	-	(618)	100%
PPA amortisation and depreciation, net of tax effect	2,176	2,074	102	4.9%
Fair value warrant, net of tax effect	(519)	(56)	(463)	**>100%**
Adjusted Group profit/loss	**(666)**	**6,205**	**6,871**	<100%

The Adjusted Group economic result for the first half of 2020 was negative for Euro 666 thousand (positive for Euro 6,205 thousand in the same half of 2019), as a result of the significant negative impact of COVID-19, which was minimally offset by a decrease in net financial charges due to the reduction in average indebtedness for the period; these charges were not affected by the purchase of a further 15% of Pegaso S.r.l. - parent company of Systema - as it was paid in full using available liquidity.

7. Balance Sheet and Financial Position

Statement of financial position

(In thousands of Euro) **ASSETS**	**30 June 2020**	***Of which related parties***	**%**	**31 December 2019**	***Of which related parties***	**%**
Intangible assets	72,492	-	*26.1%*	75,553		24.6%
Goodwill	95,069	-	*34.2%*	95,069		*30.9%*
Property, plant and equipment	7,080	-	*2.5%*	7,142		*2.3%*
Right of use	1,546	-	*0.6%*	1,806		*0.6%*
Deferred tax assets	2,503	-	*0.9%*	1,666		*0.5%*
Financial receivables (non-current)	563	563	*0.2%*	552	552	*0.2%*
Total non-current assets	**179,254**	**-**	***64.2%***	**181,788**		***59.2%***
Inventories	37,649	-	*13.5%*	22,925		*7.5%*
Trade receivables	35,623	5,646	*12.8%*	60,847	6,272	*19.8%*
Current tax receivables	2,819	-	*1.0%*	3,792		*1.2%*
Financial assets	125	-	*0.0%*	54		*0.0%*
Other assets	7,579	-	*2.7%*	5,677		*1.8%*
Cash and cash equivalents	15,132	-	*5.4%*	32,089		*10.4%*
Total current assets	**98,927**	**-**	***35.6%***	**125,383**		***40.8%***
TOTAL ASSETS	**278,181**	**-**	***100.0%***	**307,171**		***100.0%***
Share capital	21,343	-	*7.7%*	21,343		*6.9%*
Other reserves	157,896	-	*56.8%*	157,076		*51.1%*
Retained earnings from consolidation	16,670	-	*6.0%*	6,891		*2.2%*
Group profit /loss	(3,921)	-	*-1.4%*	18,209		*5.9%*
Group shareholders' equity	**191,988**	-	***69.0%***	**202,518**		***65.9%***
Shareholders' equity attributable to minority interests	-	-		-		
Total Shareholders' Equity	**191,988**	-	***69.0%***	**202,518**		***65.9%***
LIABILITIES						
Payables to banks and other lenders	31,138	-	*11.2%*	37,621		*12.2%*
Deferred tax liabilities	20,685	-	*7.4%*	21,352		*7.0%*
Employee benefits	799	-	*0.3%*	774		*0.3%*
Provisions for risks and charges	1,573	-	*0.6%*	1,656		*0.5%*
Other financial liabilities	1,574	-	*0.6%*	3,023		*1.0%*
Total non-current liabilities	**55,769**	-	***19.5%***	**64,425**		***21.0%***
Payables to banks and other lenders	13,351	-	*4.8%*	13,362		*4.3%*
Trade payables	9,906	-	*3.6%*	19,056		*6.2%*
Current tax payables	149	-	*0.1%*	384		*0.1%*
Provisions for current risks and charges	65	-	*0.0%*	409		*0.1%*
Other liabilities	4,350	-	*1.6%*	4,322		*1.4%*
Other financial liabilities	2,603	-	*0.9%*	2,694		*0.9%*
Total current liabilities	**30,424**	**-**	***10.9%***	**40,228**		***13.1%***
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**278,181**	**-**	***100.0%***	**307,171**		***100.0%***

Financial position

(In thousands of Euro)	30 June 2020	31 December 2019
Cash and cash equivalents/ (Financial payables):		
Cash	8	11
Bank deposits	15,124	32,078
Liquidity	**15,132**	**32,089**
Current financial receivables	125	54
Current bank payables	(13,351)	(13,362)
Other financial payables	(2,603)	(2,694)
Current financial indebtedness	**(15,954)**	**(16,056)**
Net current financial indebtedness	**(698)**	**16,087**
Non-current bank debts	(31,138)	(37,621)
Other financial payables	(1,574)	(3,023)
Non-current financial indebtedness	**(32,712)**	**(40,644)**
Net financial indebtedness	**(33,410)**	**(24,558)**
Other current payables - warrants	766	1,449
Adjusted Net financial indebtedness	**(32,643)**	**(23,109)**

The composition of the Group's net working capital and net invested capital as at 30 June 2020 and 31 December 2019 is detailed below:

(In thousands of Euro)	Situation as at	
	30 June 2020	31 December 2019
Inventories	37,649	22,925
Trade receivables	35,623	60,847
Trade payables	(9,906)	(19,056)
Operating Trade Working Capital	**63,366**	**64,715**
Other working capital items	5,835	4,354
Net Working Capital	**69,201**	**69,069**
Non-current assets	179,254	181,788
Provisions and other non-current liabilities	(23,056)	(23,782)
Net capital invested	**225,398**	**227,075**
Net financial indebtedness	33,410	24,558
Shareholders' equity	191,988	202,518
Total Shareholders' equity and Financial liabilities	**225,398**	**227,075**

The Operating Trade Working Capital of the Group as at 30 June 2020 amounted to Euro 63,366 thousand; the value compared to 31 December 2019 decreased by Euro 1,349 thousand, in addition to the effect of the seasonal nature of the business, due to the main factors:

- the reduction in trade receivables resulting from the reduction in sales volumes recorded in the first half of 2020, partly inherent and related to seasonality, partly due to the lower turnover caused by COVID-19;

- the increase in inventories resulting mainly from the temporary and sudden slowdown in sales during the COVID-19 period;
- the reduction in trade payables resulting from the seasonal nature of the business and the timing of product purchases.

The Group's Net Invested Capital amounted to Euro 225,398 thousand as at 30 June 2020 (Euro 227,075 thousand as at 31 December 2019); the change is mainly due to the reduction in non-current assets, whose decrease is mainly due to the amortisation of intangible assets relating to the Purchase Price Allocation for Euro 3,018 million and to the reduction in investments in the first half of 2020 following the actions taken by Management to limit the economic and financial impact of the pandemic.
The composition of the net financial indebtedness (also adjusted) as at 30 June 2020 and 31 December 2019 is shown in detail below:

(In thousands of Euro)	**Situation as at**		**Changes**	
	30 June 2020	**31 December 2019**	**Δ**	**%**
(A) Cash	8	11	(3)	-27.3%
(B) Other cash and cash equivalents	15,124	32,078	(16,954)	-52.8%
(C) Trading Securities	73	-	73	>100
(D) Liquidity (A)+(B)+(C)	**15,205**	**32,089**	**(16,884)**	**-52.6%**
(E) Current financial receivables	52	54		-0.3%
(F) Current bank payables	-	-	-	-
(G) Current portion of non-current indebtedness	13,351	13,362	(11)	-0.1%
(H) Other current financial debts	2,603	2,694	(91)	-3.4%
(I) Current financial indebtedness (F)+(G)+(H)	**15,954**	**16,056**	**(102)**	**-0.64%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*15,954*	*16,056*	*(102)*	*-0.6%*
(J) Net current financial indebtedness (I)+(E)+(D)	**697**	**(16,087)**	**16,784**	**-104.3%**
(K) Non-current bank debts	31,138	37,621	(6,483)	-17.2%
(L) Bonds issued	-	-	-	
(M) Other non-current financial loans	1,574	3,023	(1,449)	-47.9%
(N) Non-current financial indebtedness (K)+(L)+(M)	**32,712**	**40,644**	**(7,932)**	**-19.5%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*32,712*	*40,644*	*(7,932)*	*-19.5%*
(O) Net financial indebtedness (J)+(N)	**33,409**	**24,558**	**8,851**	**36.0%**
Other financial payables - Warrants and stock grants	766	1,449	(683)	-46.4%
Adjusted net financial indebtedness	**32,643**	**23,109**	**9,534**	**41.2%**

Net Financial Indebtedness was Euro 33,409 thousand as at 30 June 2020, an increase on 31 December 2019, though showing a low Leverage ratio (Net financial indebtedness/Adjusted EBITDA LTM), equal to 1.3x as at 30 June 2020 (vs 0.7x as at 31 December 2019).

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

The increase in Adjusted Net Financial Indebtedness as at 30 June 2020, compared to 31 December 2019, of Euro 9,534 thousand, is mainly due to the distribution of dividends of Euro 6,612 thousand on 20 May 2020.

The main phenomena that influenced cash flow trends in the periods under review are summarised below.

Net cash flow generated/(absorbed) by operating activities

	Half year ending on	
(In thousands of Euro)	**30 June 2020**	**30 June 2019**
Cash flow generated by operating activities		
Gains/(losses) of the period	(3,921)	2,575
Adjusted for:		
- Income taxes	(1,545)	220
- Net write-downs and provisions	332	839
- Expense/(income) from equity investments	(345)	-
- Financial (income)/expense accrued	595	765
- Depreciation, amortisation and write-downs of fixed assets	4,943	4,451
Changes in:		
- Inventories	(14,875)	(6,908)
- Trade receivables	25,099	7,594
- Trade payables	(9,150)	(4,167)
- Other changes in operating assets and liabilities	(167)	(3,643)
- Payment of employee benefits and change in provisions	(115)	(21)
Cash flow generated/(absorbed) by operating activities	**(852)**	**1,706**
Taxes paid/offset	(925)	-
Interest paid	(595)	(765)
Cash flow generated/(absorbed) by operating activities	**(668)**	**942**
Net charges from COVID-19/Business Combination/STAR/M&A (net of tax effect)	1,599	1,611
Advance payment for commercial contributions	-	1,733
Financial income from warrants	(683)	(74)
Adjusted Net cash flow generated/(absorbed) by operating activities	**248**	**4,212**

The net cash flow generated/(absorbed) by Adjusted operating activities decreased by approximately Euro 3,964 thousand, due to the decrease in the Group's operating results, partially offset by the generation of net working capital of Euro 7,900 thousand, in addition to the effect of a number of non-recurring factors in the first half of 2020, among which:

- benefit deriving from the early submission of declarations of intent, for VAT purposes, for about Euro 3,190 thousand and the use of tax credits to offset contributions and taxes for about Euro 1,000 thousand;
- higher advances of approximately Euro 1,233 thousand deriving from the advance payment of some products which are estimated to experience an increase in the purchase cost in the following months; this effect will be partially reabsorbed by the end of the financial year.

Cash flow generated/(absorbed) by investment activities

(In thousands of Euro)	Half year ending on	
	30 June 2020	**30 June 2019**
Cash flow from investment activities		
Acquisition of subsidiary company, net of cash acquired and other costs	-	(2,770)
(Purchase)/sale of property, plant and equipment and intangible assets	(1,561)	(4,359)
Cash flow generated/(absorbed) by investment activities	**(1,561)**	**(7,129)**

In the first half of 2020, the investment activity mainly concerned:

- investments in intangible assets for about Euro 1,083 thousand, mainly related to the evolution of the main company software;
- investments in plants, machinery and equipment for approximately Euro 345 thousand;
- right of use of approximately Euro 133 thousand following the recognition of IFRS 16.

Cash flow generated/(absorbed) by financing activities

(In thousands of Euro)	Half year ending on	
	30 June 2020	**30 June 2019**
Cash flow from financing activities		
Increase/(Decrease) in financial liabilities	(6,666)	(6,666)
Increase/(Decrease) in other financial liabilities	(1,642)	4,851
(Purchase)/sale of treasury shares	-	(1,439)
(Dividend distribution)	(6,612)	(6,088)
Payment of transaction costs relating to financial liabilities	193	238
Other changes in shareholders' equity	-	(849)
Net cash and cash equivalents generated by financing activities	**(14,728)**	**(9,963)**

The net cash flow absorbed from financing activities as at 30 June 2020 mainly reflects:

- the payment of the instalment of the bank loan in place for Euro 6,666 thousand;
- the distribution of a dividend of Euro 6,612 thousand, as resolved by the Shareholders' Meeting on 24 April 2020;
- the payment of the debt for the exercise of put/call options relating to the purchase of a further 15% of Pegaso S.r.l., Systema's parent company, amounting to Euro 575 thousand.

8. Investments and research and development activities

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

- launch of the new brand PLOOS in February: a range of roughly 50 items, composed primarily of recharging, car and audio accessories. The launch of the new brand falls within a wider strategic process of review of the Group's brand portfolio, targeted at supplementing the offering of the main brand, Cellularline;

- presentation of BECOME in February: a new range of environmentally friendly smartphone covers designed to limit the environmental footprint of its products, characterised by packaging based on the use of recycled and recyclable paper, in addition to being completely plastic-free;
- rebranding of CELLULARLINE in March: on the 30th anniversary of the company's foundation in 1990, the ambitious project (R)EVOLUTION was presented to the market for the strategic repositioning and revamp of the marketing mix of its main brand, Cellularline;
- agreement with Microban® in May: collaboration to create a range of products with integrated antimicrobial technology, currently being launched;
- three-year agreement for the co-design, production and distribution for the European market of Altec Lansing audio products (June), an American brand operating in the premium segment;
- presentation of Hi-GENS (June): new UV-C steriliser, which particularly interesting in the current COVID-19 context.

9. Information on related-party transactions and non-recurring, atypical or unusual transactions

Information on related party transactions is presented in Note 5 to the Condensed Half-Year Consolidated Financial Statements.

10. Atypical and/or unusual transactions

During the first half of 2020, there were no atypical and/or unusual transactions, as defined in CONSOB Communication no. DEM/6064293 of 28 July 2006.

11. Share-based payment agreements

Information on share based payment agreements is presented in Note 4.12 to the Condensed Half-Year Consolidated Financial Statements.

12. Treasury shares and shares of the parent

No purchases or sales of treasury shares took place during the first half of 2020, leaving the number of shares held at the end of the previous year unchanged. Therefore, as at 30 June 2020, the parent held 1,636,505 treasury shares, equal to 7.55% of the share capital.

13. The 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 capital management.

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

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

13.1 Risks related to competition and competitiveness

The market for accessories for mobile devices (smartphones and tablets) is characterised by a high level of competitiveness, which could also be strengthened by 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 the business and growth prospects as well as on the economic, equity and financial position of the Group. Further risks are linked to possible changes in consumer purchasing behaviour in the light of demographic changes, increasing digitisation, changing economic conditions and purchasing power. Any misinterpretation of developments in consumer behaviour, trends in terms of prices and product ranges may result in the risk of failed or delayed adoption of appropriate sales models and in the failed or delayed exploration of new sales channels, with possible negative effects on the Group's economic, equity and financial position.

13.2 Seasonal Risk

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 on average for more than 60% of total annual sales, with a peak in demand in the last quarter of the year (Black Friday and Christmas). Absolute EBITDA, in consideration of a far more linear and uniform distribution of structural costs (personnel, rents and general expenses) throughout the year, is also affected by this seasonality, showing a significantly higher average EBITDA incidence in the second half of the year. The incorrect definition of the product range in terms of variety and availability during the periods of the year that are characterised by high sales values or the untimeliness of the change in strategy in terms of updated sales data and information could have a negative impact on the match between product offer and customer demand, with negative effects on the Group's economic, equity and financial position.

It should furthermore be noted that revenues in the first half of the year were also affected, starting from mid-March, by the effects of the lock-down period and the subsequent restrictions imposed following the outbreak of COVID-19.

Please refer to the specific section for more information.

13.3 Risks associated with the evolution of 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 economic, equity and financial position.

13.4 Risks connected with the macroeconomic trends

As it operates in several international markets, the Group is affected by changes in the macroeconomic conditions of the markets concerned and, in particular, by the health emergency that began early 2020.

The current pandemic and the resulting containment measures have led to severe contractions in production activity in all major countries. The world GDP is estimated to have fallen sharply this year, with very marked effects on trade.

However, during this period, it is estimated that the spread of the pandemic remains under control globally and in Italy and that therefore the gradual removal of the contagion containment measures and the mitigation of their economic impact will continue.

The macroeconomic trend may also be impacted by the spread in Europe and the world of the effects of Covid-19; please refer to paragraph "13.9 Risk associated with COVID-19" for further information.

On the basis of these assumptions, the GDP in Europe is expected to contract during the period followed by a gradual recovery over the next two years. In addition to the fall in foreign demand and international tourist flows, the current year's trend would also contribute to the decrease in domestic demand, following the suspension of some economic activities to contain contagion and the repercussions of the epidemic crisis on employment and household incomes. The recovery in GDP, from the second half of this year, would be largely attributable to the gradual disappearance of the effects connected with the containment measures; the repercussions of the contraction in foreign demand and tourist flows and those deriving from more cautious behaviour on the part of families and businesses would, on the other hand, have more persistent effects, slowing down the return of productive activity to pre-crisis levels.

Additionally, with reference to the worsening of the tariff crisis between China and the USA, the parent is not in a position to assess the impact that this could have on macroeconomic trends and, consequently, on the Group's operations and results. If the current period of gradual economic recovery were to slow down or halt, or if further periods of economic and/or financial crisis were to occur, or if trade tensions between the USA and China were to become even more acute, there could be possible negative effects on the Group's economic, equity and financial position.

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

The Group operates on 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 Euro, while the majority of purchases of products are settled in US dollars, as is the practice of the reference industry.

The Group is therefore exposed to the exchange rate risk - for the main types of product supplies - almost exclusively to the US dollars and is considering the arrangement of a policy to hedge against this risk, although there are numerous factors that limit the risk profile, including: the high rate of product innovation (about 35% of annual turnover derives from products launched in the same year), the possibility to carry out, in a relatively short time (3-6 months), revisions to customer price lists and, finally, the high contractual flexibility with suppliers in the Far East (with whom there are no - with rare exceptions - commitments to purchase minimum quantities at predefined prices for periods exceeding 6 months).

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

Currency	Average H1 2020	End of period 30 June 2020	Average H1 2019	Period end at 31 December 2019
US Dollar/ Euro	1.12	1.12	1.13	1.12

In 2020, the Group used derivative financial instruments to hedge fluctuations in the EUR/USD exchange rate.

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

13.6 Liquidity risk

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

(In thousands of Euro)	**within 12 months**	**1 - 5 years**	**beyond 5 years**
Employee benefits	-	799	-
Trade payables	9,906	-	-
Deferred tax liabilities	1,684	8,519	10,481
Payables to banks and other lenders	13,351	31,138	-
Provisions for non-current risks and charges	-	1,573	-
Provisions for current risks and charges	65	-	-
Other liabilities	4,350	-	-
Other financial liabilities	2,603	1,471	103
Current tax payables	149	-	-
Total	**32,108**	**43,500**	**10,584**

In order to prevent unforeseen cash outflows from becoming critical, the Group aims to retain 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 low leverage ratio (1.3x), the current cash and cash equivalents (Euro 15.2 million) and the credit lines made available by various credit institutions and not used (about Euro 21 million).

13.7 Credit risks

Credit risk is the risk that a customer or one of the counterparties to a financial instrument may cause a financial loss by defaulting on an obligation and arises mainly from the Group's trade receivables and financial investments. The Group is exposed to the risk that its customers may delay or fail to meet their payment obligations within the agreed terms and conditions and that the internal procedures adopted in relation to the assessment of creditworthiness and solvency of customers are not sufficient to ensure the successful completion of collections. Such failed payments, late payments or other default situations may be due to the insolvency or bankruptcy of the customer, economic events or specific situations of the customer.

Specifically, attention must be paid to the credit policy with regard to both consolidated and newly acquired customers, strengthening the policies of preventive action, by acquiring more complete commercial information (from different sources) for all major and/or new customers and by making the analyses of credit reports progressively more systematic, including the assessment of the customer portfolio and the definition of credit limits. The aging list of trade receivables as at 30 June 2020 is shown below:

(In thousands of Euro)	**not yet due**	**Due within 6 months**	**Due in 6 to 12 months**	**Due beyond 12 months**
Trade receivables (gross of provision for bad debts)	15,567	10,824	1,390	5,606
Receivables from associated companies	225	2,478	2,657	286
Total gross trade receivables	**15,792**	**13,302**	**4,047**	**5,892**
(Provision for bad debt)	-	-	-	(3,410)
Total Net trade receivables	**15,792**	**13,302**	**4,047**	**2,482**

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

In terms of trade receivables, there has been no increase in the related risk as a result of the effects of COVID-19 thanks both to the high quality standard of the customer portfolio and to a 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 risk of changes in interest rates on the syndicated loan, started on 29 June 2017 for an original amount of Euro 85 million (reduced to Euro 58.3 million as at 30 June 2019), given also the current limited level of net indebtedness; consequently, interest rates fluctuations could lead to an increase in financial charges relating to indebtedness, which is currently exclusively at variable rates.

With reference to the interest rate risk, a sensitivity analysis was carried out to determine the effect on the consolidated income statement (gross of the tax effect) that would result from a hypothetical positive and negative change of 100 basis points in interest rates compared to those actually recorded in each period. The analysis was carried out mainly with regard to short and medium/long-term financial liabilities. The following table shows the results of the analysis carried out.

	Rate increase 1%	
(In thousands of Euro)	**30 June 2020**	**30 June 2019**
Payables to banks and other lenders	(326)	(358)

It should be noted that a negative change of 100 basis points in interest rates does not determine a positive effect on the Group income statement since the loans require the Euribor not to be negative (floor at 0.0%).

13.9 Risk associated with COVID-19

If there is another, significant wave of COVID-19 and multiple governments concurrently enact particularly restrictive measures to contain the virus – which is, however, currently considered unlikely - the Group could suffer potentially negative impacts on the:

- supply chain, as the main suppliers might no longer be able to deliver the products, except with lengthy delays or, in the worst case, not deliver them at all;
- operations, as the Group might lose the availability of its workforce as a result of potential government regulations restricting travel or because of the company's inability to provide a healthy and safe working environment;

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

As described in detail in the paragraph below entitled "Significant events during and after the interim period", the Group has sought and is seeking to address this risk - which could have a negative impact on results and financial performance if there is a downturn in revenue, profitability and cash flows - through (i) the implementation of the necessary measures to minimise the risk of contagion in order to safeguard the safety of its human resources and (ii) the adoption of a detailed plan involving all company functions across the board, aimed at mitigating the impact of the crisis deriving from COVID-19.

14. Branch offices

The Company has its registered office in Reggio Emilia, Via Grigoris Lambrakis no. 1/A and as at 30 June 2020 had no secondary offices.

15. Personnel information

There have been no particular cases worthy of mention in this report, such as deaths, serious accidents at work or occupational diseases for which the Group has been held responsible.
The work is carried out in full compliance with all the rules and regulations in force regarding safety in the workplace.
Furthermore, the Group routinely trains its human resources, in the belief that the professional and working growth of each individual is a prerequisite for the continuous improvement and enhancement of the activities carried out.
For information on the impact on staff in relation to COVID-19 and the related actions taken by Group Management, reference should be made to the section "Significant events during and after the interim period".
The number of employees at the end of the period was 224 (229 as at 31 December 2019).

16. Significant events during and after the interim period

Significant events during the interim period

Covid-19

The first six months of 2020, as outlined above, were characterised by the spread of the COVID-19 pandemic, which severely affected the global macroeconomic trend, producing, also as a result of the restrictive measures adopted by the various government authorities, a significant contraction in consumption from March 2020.
Since the beginning of the health emergency, the Group has implemented the necessary measures to minimise the risks of contagion in order to safeguard the safety of its resources, including: the use of remote work, the application of social distancing measures, the adoption of personal protective equipment and procedures for sanitising the premises, the activation of additional insurance coverage for employees while ensuring, at the same

time, business continuity throughout the period, in full compliance with the extraordinary legal provisions imposed in the various jurisdictions.
The effects of the pandemic on the Group's performance began to appear in the second half of March - and were particularly significant through to the end of May, following the activation of the lock-down first in Italy and then in rest of Europe, which is the main market in which the Group operates. In response to this situation, the Group promptly adopted, as early as the end of March, a comprehensive plan that involved all corporate functions across the board to mitigate the impact of the crisis and the resulting contraction in sales on results and capital strength.
On the revenue side, actions focused on:

- analysis of the market and new customer needs, implementing an action plan that aims at assuring further development of the product, channel and brand;
- management of relations with the main commercial partners to provide them with as much support as possible both in defining the product offer and the display formats, in order to speed up the return of consumers to the points of sale;
- enhanced communication and increased use of digital channels.

On the cost side, activities focused on:

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

The Group, considering the effects of COVID-19 as a possible impairment factor, in accordance with IAS 36 - "Impairment of Assets", carried out an impairment test (supported by an independent expert appraisal) on Goodwill, Trademarks and Customer Lists, in order to ascertain the recoverability of these intangible assets; the result did not show any write-downs to be applied.
The main economics and financial impacts of Covid-19 has been described, where relevant, in the respective sections of the Interim Directors Report.

Shareholders' meeting:

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

Business updates:

- launch of the new brand PLOOS (February): a range of roughly 50 items, composed primarily of recharging, car and audio accessories. The launch of the new brand falls within a wider strategic process of review of the Group's brand portfolio, targeted at supplementing the offering of the main brand, Cellularline;
- presentation of BECOME (February): a new range of environmentally friendly smartphone covers designed to limit the environmental footprint of its products, characterised by packaging based on the use of recycled and recyclable paper, in addition to being completely plastic-free;
- rebranding of CELLULARLINE (March): on the company's 30th anniversary (company formed in 1990), the ambitious project (R)EVOLUTION was presented to the market for the strategic repositioning and revamp of the marketing mix of the main brand, Cellularline;
- agreement with Microban® (May): creation of a product range with integrated antimicrobial technology, currently being launched;
- purchase of a further 15% of Systema's share capital (May): acquisition under the put/call agreement in force between the parties;
- three-year agreement for the co-design, production and distribution for the European market of Altec Lansing audio products (June), an American brand operating in the premium segment;
- presentation of Hi-GENS (June): new UV-C steriliser, which particularly interesting in the current Covid-19 context.

Significant events after the half-year closing

Acquisition of control of Worldconnect AG

In July 2020, 80% of Worldconnect AG, the world market leader in premium travel adapters, was acquired. Founded in 2002, based in Diepoldsau (Switzerland), Worldconnect - through its trademarks SKROSS and Q2 Power and leading OEM partnerships - operates internationally with a vast range of products comprising multiple travel adapters, specific adapters for individual countries and power peripheral devices (battery chargers, power banks and cables); approximately 80% of the Company's products are developed on the basis of patents with an average residual life of around 10 years.

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

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

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

17. Information on environmental impact

The Group firmly believes in respecting the environment and the ecosystem in which it operates; this is why it carries out its business taking into account the protection of the environment and the need for sustainable use of natural resources, in accordance with the provisions of current environmental legislation, committing itself to act responsibly towards the territory and the community. The Group condemns any type of action or behaviour that is potentially harmful to the environment. Although not having significant environmental impacts, the Group has adopted specific procedures for the disposal of Waste Electrical and Electronic Equipment (WEEE).

It should also be noted that, starting from the end of 2019, numerous project activities have been planned - and to a small extent already implemented in 2020 - to reduce the environmental impact of the Group's products and packaging.

18. Business outlook

The effects of the pandemic have caused great uncertainty in terms of the duration and intensity of the economic and social consequences and it is still difficult to determine their exact impact over the whole year 2020.

In addition, the health emergency has not yet been resolved at a global level and consequently there remains a context of limited predictability with regard to potential future developments of the pandemic, possible second waves of contagion, and their potential impact on the economic system following a possible resumption of restrictive measures.

While considering the considerable uncertainty surrounding the future, even in the short term, the progressive signs of a smaller decline in sales (both sell-in and sell-out) recorded since June - a further improvement on the basis of preliminary data for the two-month period July-August - make us think that the most difficult phase of the emergency is now over.

With reference to the main strategic activities underway, in addition to having launched the action plan described above aimed at limiting the economic and financial impact of COVID-19, management continues to focus on developments in terms of i) product innovation/extension, ii) development/agreements for the expansion of the audio range, iii) strengthening of coverage in the less well-managed channels, iv) strengthening of the financial structure, also in support of possible further M&As, v) integration of operations with the newly acquired company Worldconnect AG, whose synergies in terms of both revenues and costs will gradually become apparent in 2021, especially in the second half of the year.

Reggio Emilia, 11 September 2020

The Chairman of the Board of Directors

Antonio Luigi Tazartes

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CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

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FINANCIAL STATEMENTS AS AT 30 JUNE 2020

cellularline

TABLE OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of Euro)	Notes	Situation as at 30 June 2020	Of which related parties	Situation as at 31 December 2019	Of which related parties
ASSETS					
Non-current assets					
Intangible assets	**4.1**	72,492	-	75,533	-
Goodwill	**4.2**	95,069	-	95,069	-
Property, plant and equipment	**4.3**	7,080	-	7,142	-
Right of use	**4.4**	1,546	-	1,806	-
Deferred tax assets	**4.5**	2,503	-	1,666	-
Financial receivables	**4.6**	563	563	552	552
Total non-current assets		**179,254**	**-**	**181,788**	-
Current assets					
Inventories	**4.7**	37,649	-	22,925	-
Trade receivables	**4.8**	35,623	5,646	60,847	6,272
Current tax receivables	**4.9**	2,819	-	3,792	-
Financial assets		125	-	54	-
Other assets	**4.10**	7,579	-	5,677	-
Cash and cash equivalents	**4.11**	15,132	-	32,089	-
Total current assets		**98,927**	**-**	**125,383**	**-**
TOTAL ASSETS		**278,181**	**-**	**307,171**	**-**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital		21,343	-	21,343	-
Other reserves		157,896	-	156,076	-
Retained earnings/losses carried forward from consolidation		16,670	-	6,891	-
Group profit /loss		(3,921)	-	18,209	-
Group shareholders' equity	**4.12**	**191,988**	-	**202,518**	-
Shareholders' equity attributable to minority interests		-	-	-	-
TOTAL SHAREHOLDERS' EQUITY		**191,988**	-	**202,518**	-
LIABILITIES					
Non-current liabilities					
Payables to banks and other lenders	**4.13**	31,138	-	37,621	-
Deferred tax liabilities	**4.5**	20,685	-	21,352	-
Employee benefits	**4.14**	799	-	774	-
Provisions for risks and charges	**4.15**	1,573	-	1,656	-
Other financial liabilities	**4.13**	1,574	-	3,023	-
Total non-current liabilities		**55,769**	-	**64,425**	-
Current liabilities					
Payables to banks and other lenders	**4.13**	13,351	-	13,362	-
Trade payables	**4.16**	9,906	-	19,056	-
Current tax payables	**4.5**	149	-	384	-
Provisions for risks and charges	**4.15**	65	-	409	-
Other liabilities	**4.17**	4,350	-	4,322	-
Other financial liabilities	**4.13**	2,603	-	2,694	-
Total current liabilities		**30,424**	-	**40,228**	-
TOTAL LIABILITIES		**86,193**	**-**	**104,653**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**278,181**	**-**	**307,171**	**-**

CONSOLIDATED INCOME STATEMENT

(In thousands of Euro)	Notes	Half year ending on 30 June 2020	Of which related parties	Half year ending on 30 June 2019	Of which related parties
Revenues from sales	4.18	36,621	1,571	55,288	1,942
Cost of sales	4.19	(22,708)	-	(30,356)	-
Gross Operating Margin		**13,913**	**-**	**24,932**	**-**
Sales and distribution costs	4.20	(9,913)	-	(11,922)	-
General and administrative costs	4.21	(10,465)	(27)	(10,131)	(20)
Other non-operating (costs) /revenues	4.22	363	(12)	320	(53)
Operating profit/loss		**(6,102)**	**-**	**3,199**	**-**
Financial income	4.23	908	-	210	-
Financial charges	4.23	(821)	-	(975)	-
Gains/(losses) on exchange rates	4.24	203	-	(77)	-
Income from (Expense on) equity investments		345	-	-	-
Profit/loss before taxes		**(5,466)**	**-**	**2,356**	**-**
Current and deferred taxes	4.25	1,545	-	220	-
Profit/loss before minority interests		**(3,921)**	**-**	**2,576**	**-**
Profit/loss pertaining to minority interests		-	-	(1)	-
Group profit /loss		**(3,921)**	**-**	**2,575**	**-**
Basic earnings per share (Euro per share)	4.26	**(0.20)**		**0.13**	
Diluted earnings per share (Euro per share)	4.26	**(0.20)**		**0.13**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of Euro)	Half year ending on 30 June 2020	Half year ending on 30 June 2019
Group profit /loss	**(3,921)**	**2,575**
Other components of comprehensive profit/loss that will not be reclassified to the income statement		
Actuarial gains (losses) on defined plans and benefits	2	(102)
Actuarial gains (losses) on provisions for risks	(5)	(135)
Profits (losses) from translation of financial statements of foreign companies	2	-
Income taxes on other components of comprehensive profit/loss	1	66
Total other components of comprehensive profit/loss	(0)	(171)
Total comprehensive profit/loss for the year	**(3,921)**	**2,404**

CONSOLIDATED STATEMENT OF CASH FLOW

(In thousands of Euro)	**Half year ending on 30 June 2020**	**Half year ending on 30 June 2019**
Gains/(losses) of the period	(3,921)	2,575
Amortisation	4,943	4,451
Net write-downs and provisions	332	839
(Income from)/Expense on equity investments	(345)	-
Financial (income)/expenses accrued	595	765
Current taxes	(1,545)	220
	60	**8,850**
(Increase)/decrease in inventories	(14,875)	(6,908)
(Increase)/decrease in trade receivables	25,099	7,594
Increase/(decrease) in trade payables	(9,150)	(4,167)
Increase/(decrease) in other assets and liabilities	(167)	(3,643)
Payment of employee benefits	(115)	(21)
Cash flow generated (absorbed) by operating activities	**852**	**1,706**
Net financial charges paid	(595)	(765)
Income taxes paid/set off	(925)	-
Net cash flow generated (absorbed) by operating activities	**(668)**	**942**
Acquisition of subsidiary company, net of cash acquired	-	(2,770)
(Purchase)/sale of property, plant and equipment and intangible assets	(1,561)	(4,359)
Net cash flow generated by (absorbed) investing activities	**(1,561)**	**(7,129)**
Net (purchase)/sale of treasury shares	-	(1,439)
(Dividends/reserves distributed)	(6,612)	(6,088)
Other financial assets and liabilities	(1,642)	4,841
Other changes in shareholders' equity	-	(849)
Increase/(decrease) in payables to banks	(6,666)	(6,666)
Payment of transaction costs relating to financial liabilities	193	238
Net cash flow generated (absorbed) by financing activities	**(14,728)**	**(9,963)**
Increase/(decrease) in cash and cash equivalents	**(16,957)**	**(16,150)**
Cash and cash equivalents at the beginning of the year	**32,089**	**41,989**
Cash and cash equivalents at year end	**15,132**	**25,839**

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(Amounts in Euro thousands)	Share Capital	Other reserves	Profit/(loss) carried forward	Profit/loss for the year	Minority interest in reserves and result	Total Shareholders' Equity
Balance as at 31 December 2018	**21,343**	**146,897**	**(6,243)**	**32,378**	-	**194,375**
Allocation of previous year's result	-	13,376	19,001	(32,378)	-	(1)
Changes in the scope of consolidation	-	(1,182)	244	-	-	(938)
Dividend distribution	-	-	(6,111)	-	-	(6,111)
Purchase of treasury shares	-	(2,889)	-	-	-	(2,889)
Other components of the statement of comprehensive income	-	(126)	-	-	-	(126)
Profit (loss) for the year	-	-	-	18,209	-	18,209
Balance as at 31 December 2019	**21,343**	**156,076**	**6,891**	**18,209**	**-**	**202,518**
Allocation of previous year's result	-	1,821	16,389	(18,209)	-	-
Dividend distribution	-	-	(6,612)	-	-	(6,612)
Other components of the statement of comprehensive income	-	-	-	-	-	-
Profit (loss) for the year	-	-	-	(3,921)	-	(3,921)
Balance as at 30 June 2020	**21,343**	**157,896**	**16,670**	**(3,921)**	**-**	**191,988**

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NOTES

1. Introduction

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

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

At the date of the Consolidated Financial Statements as at 30 June 2020, the shareholders of Cellularline holding more than 5% of the share capital with voting rights are as follows:

- L Catterton Europe[8] 10.428%
- Christian Aleotti 7.959%

The consolidated half-year financial statements are submitted for approval by the Board of Directors convened for 11 September 2020, in line with the financial calendar approved by the Board of Directors on 14 November 2019.

2. Criteria adopted for preparing the Condensed Half-Year Consolidated Financial Statements and summary of accounting standards

The following are the preparation criteria, main accounting policies and measurement criteria adopted to prepare and draw up the Condensed Half-Year Consolidated Financial Statements for the six-month period ended 30 June 2020 (the "Condensed Half-Year Consolidated Financial Statements"). These standards and criteria were applied consistently for all the years presented in this document, taking into account the provisions of note 2.6 "Changes in accounting standards".

2.1 Basis for the preparation of the Condensed Half-Year Consolidated Financial Statements

These Condensed Half-Year Consolidated Financial Statements were prepared in accordance with IAS 34 (Interim financial statements) and should be read in conjunction with the Group's latest annual consolidated financial statements as at 31 December 2019 ("the latest financial statements"). Although they do not include all the information required for full disclosure of the financial statements, specific explanatory notes are included to explain events and transactions that are relevant to understanding changes in the Group's financial position and performance since the last financial statements.

2.2 Criteria for the preparation of the Condensed Half-Year Consolidated Financial Statements

The Condensed Half-Year Consolidated Financial Statements were prepared on the assumption of going concern, as the directors verified that there are no financial, management or other indicators that could indicate critical issues regarding the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months.

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

The Condensed Half-Year Consolidated Financial Statements are presented in Euro, the Group's functional currency. Amounts are expressed in Euro unless otherwise specified. Rounding is carried out at an individual accounting account level and therefore aggregated. It should also be noted that any differences in some tables are due to rounding values expressed in thousands of Euro.

The Condensed Half-Year Consolidated Financial Statements consist of the following and these explanatory notes:

A) **Consolidated statement of financial position:** the consolidated statement of financial position 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 Condensed Half-Year Consolidated Financial Statements.

B) **Consolidated income statement:** the classification of costs in the consolidated income statement is based on their function, showing the intermediate results relating to the gross operating result, the net operating result and the result before taxes.

C) **Consolidated 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.

D) **Consolidated statement of cash flows:** the consolidated cash flow statement shows cash flows from operating, investing and financing activities. The flows of the operating activity are represented by applying the indirect method, through which the result is adjusted by the effects of non-cash transactions, by any deferral or allocation of previous or future operating collections or payments and by revenue elements connected with the financial flows deriving from the investment or financial activity.

E) **Consolidated 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, the table also includes the effects, for each item of shareholders' equity, deriving from changes in accounting standards.

F) **Explanatory Notes to the Consolidated Financial Statements.**

The Condensed Half-Year Consolidated Financial Statements are presented in comparative form.

These Condensed Half-Year Consolidated Financial Statements were authorised for publication by the Board of Directors on 11 September 2020.

2.3 Consolidation principles and scope of consolidation

Consolidation criteria

The consolidated financial statements include the financial statements or accounting statements of the subsidiary companies included in the scope of consolidation, drawn up as at 30 June each year. Control of an investee entity exists when the investor is exposed to, or is entitled to, the variable returns of the investee entity and has the possibility of influencing those returns through the exercise of power over the entity. An investor has power over an investee entity when it holds valid rights that give it the current ability to direct the relevant activities, i.e. those that significantly affect the performance of the investee entity.

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

When necessary, adjustments were made to the financial statements of subsidiary companies to align the accounting policies used with those adopted by the Group and in compliance with IFRS.

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

The minority interest in the net assets of consolidated subsidiary companies is identified separately from the Group's shareholders' equity. This interest is determined on the basis of the percentage held in the fair values of the assets and liabilities recorded at the date of the original acquisition and in the changes in shareholders' equity after that date. Subsequently, the losses attributable to minority shareholders in excess of their shareholders' equity are allocated to the Group's shareholders' equity, with the exception of cases in which minority shareholders have a binding obligation and are able to provide additional investments to cover losses.

Business combinations

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

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

The minority interest in the acquired company is initially measured in proportion to the interest in the fair values of the assets, liabilities and contingent liabilities recorded.

The acquisition of subsidiaries is accounted for using the acquisition method. The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition in accordance with IFRS 3 are recognised at their fair value at the acquisition date, with the exception of non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, which are recognised and measured at fair values less costs to sell.

Goodwill arising from the acquisition of control of an equity investment or business unit represents the excess of the acquisition cost (defined as the sum of the consideration transferred in the business combination), increased by the fair value of any previously held equity investment in the acquired company, over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the acquisition date.

In the case of purchase of non-total controlling interests, goodwill can be determined at the acquisition date with respect to the percentage of control acquired and by measuring at fair value the minority interest in shareholders' equity (full goodwill).

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

For the purposes of determining goodwill, the consideration transferred in a business combination is calculated as the sum of the fair value 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 acquired entity, also 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 contingent consideration or the determination of the current value of assets and liabilities acquired, if only provisionally recognised at the acquisition date and if such changes are determined as adjustments on the basis of more information about facts and circumstances existing at the date of the combination. In the event of disposal of shares in subsidiary companies, the residual amount of goodwill attributable to them is included in the determination of the capital gain or loss on disposal.

In 2020, the parent completed the acquisition of an additional 15% of Pegaso s.r.l. - 60% owned as at 31 December 2019 - which in turn controls 100% of Systema s.r.l., a company active in the market for mobile phone accessories in the Telco channel. As at 30 June 2020 the percentage of ownership is therefore 75%.

Scope of consolidation

The Condensed Half-Year Consolidated Financial Statements as at 30 June 2020 include the balance sheet and income statement figures of Cellularline S.p.A. (Parent) and operating companies in which the Parent owns, directly or indirectly, more than 50% of the share capital, or has control thereof in accordance with the criteria defined by 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)	Euro units	21,343,189	-	-
Cellular Spain S.L.U.	Spain (Madrid)	Euro units	3,006	100%	-
Cellular Immobiliare Helvetica S.A.	Switzerland (Lugano)	CHF units	100,000	100%	-
Cellular Inmobiliaria S.L.U.	Spain (Madrid)	Euro units	3,010	100%	-
Pegaso s.r.l.	Italy (Reggio Emilia)	Euro units	70,000	75%	-
Systema s.r.l.	Italy (Reggio Emilia)	Euro units	100,000	-	75%

The associate Cellular Swiss S.A. is instead 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 units	100,000	50%	-

2.4 Use of estimates and judgements in the preparation of the Condensed Half-Year Consolidated Financial Statements

When preparing the Condensed Half-Year Consolidated Financial Statements, Management had to make judgments, estimates and assumptions that influence the application of the accounting standards and the amounts of assets, liabilities, costs and revenues recognised.

Estimates and assumptions are based on information known at the preparation date of the Consolidated Financial Statements, management's experience and any other elements considered relevant. The values resulting from the final data may differ from these estimates.

The main subjective assessments made by management in applying the Group's accounting standards and the main sources of uncertainty in the estimates were the same as those applied for the preparation of the consolidated financial statements for the year ended 31 December 2019.

Impairment testing goodwill, trademarks and customer list

As explained in detail in the Director's Report, the first half of 2020 was affected by the epidemic and the global spread of COVID-19. As described, this event had a significant impact on the Group's business and therefore, in the preparation of the half-yearly report as at 30 June 2020, Management noted impairment indicators in accordance with IAS 36, which required an impairment test to be carried out at the date of the half-yearly financial statements, also in accordance with the guidelines of the Authorities.

In particular, these checks were carried out by integrating the normal estimation operations, carried out as part of the training process, with specific analyses, supported by the opinion of independent accounting experts, aimed at testing the recoverability of the value recorded in the financial statements of the following items:

- Goodwill;
- Trademarks;
- Customer relationships.

These specific indications also accompanied, integrated and conditioned the procedures and results of the “normal” verification activities carried out to assess the appropriateness of the balance sheet values relating to other items such as inventories, trade receivables, provisions and probable liabilities. The estimates and assumptions used as part of this analysis reflect the current state of knowledge about business developments in the various geographical areas and take into account reasonable expectations about developments in the markets in which the Group operates, although a physiological degree of uncertainty remains.

The Board of Directors approved a Revised 2020-2023 Business Plan on 9 September 2020 in order to determine the cash flow projections considered for the purposes of the half-yearly impairment test.

Although the Group's current estimates do not show situations of impairment of non-current assets, it cannot be ruled out that any negative scenarios in the economic context could lead to the Group's performance diverging from the economic and financial forecasts for the Revised 2020-2023 Business Plan, which could therefore give rise to further adjustments to the carrying amount of certain current and non-current assets in the future.

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

Management has carried out sensitivity analyses, which show that the Group's net invested capital and goodwill are sufficiently covered. Management also considered the significant uncertainties of COVID-19 about the Group's business.

In addition to the preliminary financial projections outlined above, a second alternative scenario of projections has been developed based on the same assumptions for the year 2020, while adjusting the projections for the period 2020-2023 reflecting a potentially higher negative impact on the risks related to COVID-19. The financial inputs (WACC and "g" rate) have not changed compared to the baseline scenario.

Fair value measurement

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

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

- Level 1 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.

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

2.5 Relevant Accounting Standards

Transactions in foreign currencies are translated into the functional currency of each entity of the Group 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 on the same date of the operation. Exchange differences arising on translation are generally recognised in profit or loss for the period under financial expense.

The exchange rates used to translate the financial statements of Immobiliare Helvetica as at 30 June 2020 into Euro were as follows:

Currency	2020 average	End of period at 30 June 2020
CHF/ Euro Exchange rate	1.07	1.06

2.5.1 Change in accounting standards and new accounting standards

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

- on 31 October 2018, the IASB published the document "Amendments to IAS 1 and IAS 8: Definition of Material" with the aim of refining and aligning the definition of "Material" in some IFRS, so that it is also consistent with the new Conceptual Framework for Financial Reporting approved in March 2018. The application of the new amendment did not result in significant changes to the interim financial report as at 30 June 2020;
- on 29 March 2018, the IASB published the revised version of the Conceptual Framework for Financial Reporting. The main changes compared to the 2010 version concern: a new chapter on valuation; better definitions and guidance, in particular with regard to the definition of liabilities and clarification of important concepts, such as stewardship, prudence and uncertainty in valuation.
- in September 2019, the IASB published the document "Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, and IFRS 7)". This document shall apply to financial statements for financial years starting on or after 1 January 2020. The document was approved on 15 January 2020 and published on 16 January 2020. The application of the new amendment did not result in significant changes to the interim financial report as at 30 June 2020;
- on 22 October 2018, the IASB published amendments to IFRS 3. The document "Amendment to IFRS 3 Business Combinations" introduced a much narrower definition of business than that contained in the current version of IFRS 3, as well as a logical path to follow to verify whether a transaction is configurable as a "business combination" or a simple acquisition of an asset. The amendment did not entail significant changes to the interim financial report as at 30 June 2020.

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

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

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

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

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

2.6 Seasonality

The market the Group operates in is characterised by seasonal phenomena. In particular, sales are higher in the final part of each year, with a peak in demand near and during the Christmas period; also the costs of purchasing goods from suppliers are mainly concentrated in that period. On the other hand, operating costs show a more linear trend given the presence of a component of fixed costs (personnel, rents and general expenses) which has a uniform distribution over the year. As a result, operating margins are also affected by this seasonal nature.

It should also be noted that revenues in the first half of the year were significantly affected, starting from mid-March, by the effects of the containment measures implemented by the Authorities following the spread of COVID-19; these effects were mitigated only starting June 2020.

The trend in revenues and the trend in costs described above have an impact on the trend in net commercial working capital and net financial indebtedness, which is structurally characterised by the generation of cash in the final part of the year.

Therefore, the analysis of interim economic, equity and financial results and indicators cannot be considered fully representative, and it would therefore be wrong to consider the indicators for the period as a proportional share of the entire year.

3. Information on operating segments

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

The Group's activities develop through a single operating segment and can be divided into three main product lines:

- Red product line (accessories for multimedia devices);
- Black product line (accessories for the world of motorcycles and bicycles);
- Blue product line (third party products marketed under concession for distribution).

4. Notes to the individual financial statements captions

4.1 Intangible assets

The balance of the item Intangible assets, broken down by category as at 30 June 2020 and 31 December 2019, is shown below:

(In thousands of Euro)	30 June 2020			31 December 2019		
	Historical cost	(Accumulated amortization)	Net carrying amount	Historical cost	(Accumulated amortization)	Net carrying amount
Development costs	4,026	(3,241)	785	3,333	(2,680)	653
Industrial patents and intellectual property rights	19,629	(17,740)	1,889	19,042	(17,208)	1,834
Concessions, licenses, trademarks and similar rights	23,929	(5,909)	18,020	23,870	(5,320)	18,550
Customer relationship	61,682	(9,921)	51,761	61,681	(7,483)	54,198
Work in progress and advances	38	-	38	317	-	317
Total Intangible assets	**109,304**	**(36,811)**	**72,492**	**108,243**	**(32,691)**	**75,553**

The change in the item Intangible assets, broken down for the period from 31 December 2019 to 30 June 2020 is shown below:

(In thousands of Euro)	
Balance as at 31 December 2019	**75,553**
Increases	1,060
(Decreases)	-
(Depreciation, amortisation and write-downs) /reversal of impairment	(4,120)
Balance as at 30 June 2020	**72,492**

The Group has made investments for Euro 1,060 thousand in intangible assets in the six month ended 30 June 2020.

In particular, investments are mainly attributable to:

- industrial patents and intellectual property rights, equal to Euro 542 thousand: this item mainly includes software, i.e. the costs incurred for the implementation and development of the main management programme and other specific applications, which are normally amortised over 3 years. The investments are mainly related to innovations in SAP management and further innovations/IT projects, aimed at increasingly effective and efficient information tools to support the organisational structure of the Group;
- development costs of Euro 464 thousand; this item includes the costs incurred for investments in specific product innovation projects. These are considered to be multi-year costs, as they relate to projects under construction, whose products are clearly identified, have a market from the marketing of which sufficient profit margins are provided to cover also the amortisation of capitalised costs, which normally takes place over 2 years.

4.1.1 Impairment tests of trademarks

As at 30 June 2020, the trademarks with a definite useful life recorded in the consolidated financial statements amounted to Euro 18,020 thousand, net of accumulated reductions in value of around Euro 5,909 thousand.

As already described, the Group has verified through the impairment test the possible loss in value of trademarks recorded as an asset with a defined useful life.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use (which takes into account the discounting of future cash flows from the asset in question, given the specific risks of the asset). This recoverable value is based on the value in use determined, for trademarks with a defined useful life, using the relief from royalties method deriving from both expected sales over an explicit time period and terminal value. The estimate of the net royalty flows, derived from the estimates of the Revised 2020-2023 Business Plan of Cellularline S.p.A., was used for the impairment test.

The fair value of the dominant asset is obtained by discounting back the theoretical royalty flows calculated on turnover over the remaining years of the asset's life.

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

- expected royalty flows, which must take into account the general economic performance (including expected inflation rates and exchange rates) and the sector to which they belong, as well as the cash flows generated by trademarks in past years;
- the financial parameters to be used to discount the above flows.

In accordance with the reference accounting standards (IAS 36), in order to verify any impairment of trademarks recorded in the financial statements as at 30 June 2020, the Directors carried out a specific impairment test, also seeking the assistance of an Independent Auditing Expert.

The result of the impairment test confirmed the full recoverability of the carrying amount of trademarks registered. For all the assets tested, the Fair Value is significantly higher than the Carrying Amount at the reporting date, not giving rise to impairment losses.

The analyses carried out led to an estimate of the recoverable value of approximately Euro 17.2 million for the Cellularline brand, and approximately Euro 1.3 million for the Interphone brand; these values are higher than the Carrying Amount at the reference date, thereby giving rise to no impairment losses.

In addition, sensitivity analyses were carried out that simultaneously consider a change in revenues and the royalty rate, in order to verify the impact generated by changes in these parameters on Fair Value and, consequently, on the difference between the latter and the Carrying Amount considered for both brands (Cellularline and Interphone) being tested.

The sensitivity analyses carried out above revealed potential impairment losses only in the event of a joint deterioration of all the variables considered.

4.1.2 Impairment tests of customer relationship

As at 30 June 2020, the customer relationship with a defined useful life recorded in the consolidated financial statements amounted to Euro 50,139 thousand, net of accumulated depreciation.

As already described, the Group has verified through the impairment test any loss in value of the customer relationship recorded as an asset with a defined useful life.
The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use (which takes into account the discounting of future cash flows from the asset in question, given the specific risks of the asset).
This recoverable amount is based on value in use, determined using the Multi Period Excess Earnings Method (MEEM), on the assumption that the income attributable to the asset identified as the dominant strategic asset can be determined by difference by deducting the normal remuneration of all other assets from the total income.
The fair value of the dominant asset is obtained by discounting the expected residual income for the remaining years of the asset's life.
The performance of the impairment test is characterised by a high degree of judgement, as well as the uncertainties inherent in any forecasting activity, with particular reference to estimates:

- expected residual income, which must take into account the general economic performance (including expected inflation rates and exchange rates) and the sector to which it belongs, as well as the cash flows generated by the customer relationship in past years;
- the financial parameters to be used to discount the above flows.

In accordance with the reference accounting standards (IAS 36), in order to verify any impairment of the customer relationship recorded in the financial statements as at 30 June 2020, the Directors carried out a specific impairment test, also seeking the assistance of an Independent Auditing Expert.
The result of the impairment test confirmed the full recoverability of the carrying amount of the customer relationship.
For all the assets tested, the Fair Value is higher than the Carrying Amount at the reporting date, not giving rise to impairment losses.
The analyses carried out have led to an estimate of the recoverable value of about Euro 52.9 million; this value is higher than the Carrying Amount at the reference date, thereby not giving rise to impairment losses.
In addition, sensitivity tests have been carried out which simultaneously consider a change in:

- (i) revenues, the abandonment rate and (ii) the EBIT margin and the abandonment rate, in order to verify the impact generated by changes in these parameters on Fair Value and, consequently, on the difference between the latter and the carrying amount considered;
- the EBIT margin and the abandonment rate, in order to verify the impact generated by changes in these parameters on fair value and, consequently, on the difference between the latter and the carrying amount considered.

The sensitivity analyses reported above only revealed potential limited impairment losses in the event of a significant deterioration of the variables considered.

4.2 Goodwill

The details of the item Goodwill as at 30 June 2020 and 31 December 2019 is shown below:

(In thousands of Euro)	Situation as at	
	30 June 2020	**31 December 2019**
Goodwill	95,069	95,069
Total Goodwill	**95,069**	**95,069**

4.2.1 Impairment test of goodwill

As at 30 June 2020, goodwill recorded in the Group's consolidated financial statements amounted to Euro 95,069 thousand and was allocated to the only cash generating unit (hereinafter also referred to as the "CGU"), which coincides with the entire Cellularline Group.

Based on the above considerations, the Group has verified, including in this interim position, the recoverability of the carrying amount of intangible, tangible and financial assets, in order to determine whether there is any indication that these assets may have suffered a loss in value. If such an indication exists, an estimate of the asset's recoverable amount is required to determine the amount of any impairment loss.

In accordance with the reference accounting standards (IAS 36), in order to verify any impairment of the goodwill recorded in the financial statements at 30 June 2020, the Directors carried out a specific impairment test, also seeking the assistance of an Independent Auditing Expert.

In particular, the impairment test was carried out with reference to the entire Group, which represents the cash generating unit to which the goodwill was allocated, on the basis of the economic and financial forecasts contained in the Revised Business Plan 2020-2023 approved by the Directors on 09 September 2020 and using the discounted cash flow method.

This criterion is inspired by the general concept that the value of a company (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 horizon;
- residual value, i.e. the value of the business as a whole, deriving from the period beyond the forecast period.

The discount rate used was the weighted average cost of capital ("Weighted Average Cost of Capital" or "WACC") of approximately 9.0% and an estimated perpetually sustainable growth rate ("g") of 1.5%. 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 economic and financial forecasts to which the above parameters are applied are determined by Management on the basis of past experience and expectations of developments in the markets in which the Group operates.

The result of the impairment test confirmed the full recoverability of the carrying amount of goodwill.

The analyses carried out have led to an estimate of the recoverable value, in the form of the Enterprise Value, of about Euro 280 million; this value is much higher than the Carrying Amount at the reference date, not giving rise to impairment losses.

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

- expected operating cash flows, which must take into account the general economic performance (including expected inflation rates and exchange rates) and the sector to which they relate, as well as the cash flows generated by the CGU in past years;
- the financial parameters to be used to discount the above flows.

In addition, sensitivity tests have been 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 at the balance sheet date;
- WACC and EBITDA of the Revised 2020-2023 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.

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

4.3 Property, plant and equipment

The balance of the item Property, plant and equipment, broken down by category as at 30 June 2020 and 31 December 2019, is shown below:

(In thousands of Euro)	30 June 2020			December 2019		
	Historical cost	**(Accumulated depreciation)**	**Net carrying amount**	**Historical cost**	**(Accumulated depreciation)**	**Net carrying amount**
Land and Buildings	6,361	(1,129)	5,232	6,349	(1,070)	5,279
Plant and machinery	2,838	(2,417)	421	2,694	(2,329)	365
Industrial and commercial equipment	6,225	(4,847)	1,378	6,028	(4,598)	1,430
Work in progress and advances	48	-	48	68	-	68
Total Property, plant and equipment	**15,472**	**(8,393)**	**7,080**	**15,139**	**(7,997)**	**7,142**

The change in the item Property, plant and equipment, broken down for the period from 31 December 2019 to 30 June 2020 is shown below:

(In thousands of Euro)	
Balance as at 31 December 2019	**7,142**
Increases	358
(Decreases)	(12)
(Depreciation, amortisation and write-downs)/reversal of impairment losses	(416)
Decrease in Accumulated depreciation	8
Balance as at 30 June 2020	**7,080**

With reference to the six-month period ended 30 June 2020, the Group has made investments, net of decreases in the category "Assets under construction", for Euro 358 thousand, mainly related to industrial and commercial equipment and IT infrastructure relative to new servers.

4.4 Right of use assets

This item, amounting to Euro 1,546 thousand (Euro 1,806 thousand as at 31 December 2019), refers exclusively to the recording of the "right of use" following the application of the accounting standard IFRS 16 - Lease Accounting.
Movements during the year were as follows:

(In thousands of Euro)	**Right of use**
Balance as at 31 December 2019	**1,806**
Increases	133
(Depretiation/Amortisation)	(393)
Balance as at 30 June 2020	**1,546**

With reference to the six-month period ended 30 June 2020, the Group did not make any significant investments; the decrease mainly refers to period amortisation.

4.5 Deferred tax assets and deferred tax liabilities

The change in the item Deferred tax assets and in the item Deferred tax liabilities broken down for the period from 31 December 2019 to 30 June 2020 is shown below.

Deferred tax assets

(In thousands of Euro)	
Balance as at 31 December 2019	**1,666**
Provisions/(Releases) to Income Statement	838
Provisions/(Releases) to Statement of Comprehensive Income	(1)
Balance as at 30 June 2020	**2,503**

The balance as at 30 June 2020, amounting to Euro 2,503 thousand, is mainly composed of deferred tax assets originating mainly from taxed provisions made and the tax benefit calculated on the period loss. The following aspects have been 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 the possible recovery of the same over a period of three years;
- the forecast Group profits in the medium and long term.

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

Deferred tax liabilities

(In thousands of Euro)	
Balance as at 31 December 2019	**21,353**
Provisions/(Releases) to Income Statement	(667)
Provisions/(Releases) to Statement of Comprehensive Income	(1)
Balance as at 30 June 2020	**20,685**

Deferred tax liabilities are mainly due to deferred taxation arising from the purchase price allocation of identified assets (customer relationships and brands).

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

4.6 Financial receivables

This item, amounting to Euro 563 thousand (Euro 552 thousand as at 31 December 2019), refers exclusively to the financial receivable from the associated company Cellular Swiss S.A. (consolidated using the equity method). This value was recorded net of the related effect of the amortised cost.

4.7 Inventories

Inventories as at 30 June 2020 amounted to Euro 37,649 thousand, net of provision for inventory a write-down of Euro 1,150 thousand. Inventories recorded in the financial statements include inventories at the Group's warehouse and goods in transit, for which the Group has already acquired title, for Euro 3,388 thousand (Euro 3,025 thousand as at 31 December 2019).

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

Inventories are made up as follows:

(In thousands of Euro)	**Situation as at**	
	30 June 2020	**31 December 2019**
Finished products and goods for resale	32,646	19,638
Goods in transit	3,388	3,025
Advances	2,765	1,532
Gross Inventories	**38,799**	**23,925**
(Provision for inventory obsolescence)	(1,150)	(1,000)
Total Inventories	**37,649**	**22,925**

The increase in gross inventories, equal to approximately Euro 14,874 thousand compared to 31 December 2019, is mainly due to the following factors:

- seasonality of the Group's business for the purchase of the inventories needed to sustain the higher sales in the second half of the year;

- effect of the reduction in sales during the lock-down period, which led to a temporary increase in inventories of approximately Euro 10 million, which will be progressively reabsorbed in the second half of 2020;
- higher advances of approximately Euro 1.2 million deriving from the advance payment of some products which are estimated to experience an increase in the purchase cost in the following months; this effect will be partially reabsorbed by the end of the financial year.

The change in the provision for inventory write-downs, broken down for the period from 31 December 2019 to 30 June 2020 is shown below:

(In thousands of Euro)	**Provision for inventory obsolescence**
Balance as at 31 December 2019	**(1,000)**
(Provision)	(1,150)
Releases to profit and loss	-
Uses	1,000
Balance as at 30 June 2020	**(1,150)**

During the period, the Group, following an analysis of slow-moving products, accrued Euro 1,150 thousand for problems (typical of the sector) related to the obsolescence/slow moving of inventories, in order to align their carrying amount to the estimated realisable value.

The use of the provision for Euro 1,000 thousand refers to part of the scrapping during 2020.

4.8 Trade receivables

The details of the item Trade receivables as at 30 June 2020 and 31 December 2019 are shown below:

(In thousands of Euro)	**Situation as at**	
	30 June 2020	**31 December 2019**
Trade receivables from third parties	33,386	57,865
Trade receivables from related parties	5,646	6,272
Gross trade receivables	**39,032**	**64,137**
(Provision for bad debts)	(3,410)	(3,291)
Total Trade receivables	**35,623**	**60,847**

Trade receivables decreased by Euro 25,224 thousand compared to the previous financial year; the decrease is mainly due to a seasonal phenomenon of the business linked to the increase in sales in the last quarter of the financial year and the non-recurring reduction in turnover recorded from March 2020, mainly stemming from the COVID-19 emergency.

The change in the Provision for bad debts as at 30 June 2020 is shown below:

(In thousands of Euro)	Provision for bad debts
Balance as at 31 December 2019	**(3,291)**
(Provision)	(125)
Releases to Income Statement	-
Uses	6
Balance as at 30 June 2020	**(3,410)**

Write-downs of receivables refer mainly to disputed receivables or to customers subject to bankruptcy proceedings. The uses are for credit situations for which the elements of certainty and precision, or the presence of bankruptcy procedures in place, determine the removal of the position itself. As shown in the tables above, the provision for bad debts amounted to Euro 3,410 thousand as at 30 June 2020 and to Euro 3,291 thousand as at 31 December 2019.

Credit risk is the exposure to the risk of potential losses arising from the failure of the counterparty to meet its obligations. The Group has credit control processes in place that include customer reliability analysis and exposure control by means of reports with a breakdown of due dates and average collection times.

The change in the provision, following the allocation set aside in the period, is the result of an analytical assessment of non-performing loans and loans that have been proven to be of uncertain collectability as well as a general assessment based on the historicity of the loan impairment.

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

4.9 Current tax assets

The details of the item Current tax assets as at 30 June 2020 and 31 December 2019 are shown below:

Current tax assets

(In thousands of Euro)	Situation as at	
	30 June 2020	31 December 2019
Tax receivable of previous years (Patent Box)	1,551	3,580
Receivables for tax payments on account	1,268	-
Other tax receivables	-	212
Total current tax assets	**2,819**	**3,792**

Current tax assets mainly include the Parent’s tax credit for direct tax credits from previous years and down payments made on tax. In particular, the credit for previous years’ taxes includes the residual tax credit accrued following the application of the Framework Agreement with the Revenue Office for the purposes of the so-called Patent Box signed in March 2018.

4.10 Other assets

The details of the item Other current assets as at 30 June 2020 and 31 December 2019 are shown below:

(In thousands of Euro)	Situation as at	
	30 June 2020	31 December 2019
Prepaid expenses	4,391	4,539
VAT credit	2,025	-
Others receivables	638	554
Prepaid expenses for insurance policies	405	393
Prepaid expenses for trade fairs	120	191
Total other current assets	**7,579**	**5,677**

The item Other current assets mainly includes prepaid expenses for the advance payment of contributions to customers following the execution of commercial contracts that will produce economic benefits also in future periods and the VAT credit, up compared to the previous year due to the decrease in sales volumes.

4.11 Cash and cash equivalents

The details of the item Cash and cash equivalents as at 30 June 2020 and 31 December 2019 are shown below:

(In thousands of Euro)	Situation as at	
	30 June 2020	31 December 2019
Bank accounts	15,124	32,078
Cash on hand	8	11
Total Cash and cash equivalents	**15,132**	**32,089**

Cash and cash equivalents amounted to Euro 15,132 thousand as at 30 June 2020 (Euro 32,089 thousand as at 31 December 2019). The item consists of cash on hand, securities and sight or short-term deposits with banks that are actually available and readily usable. The decrease of Euro 16,957 thousand is mainly attributable to effects that are not strictly operational or ordinary, including, in addition to the aforementioned reduction in turnover deriving mainly from the effects of the COVID-19 pandemic:

- distribution of dividend for Euro 6,612 thousand on 20 May 2020;
- higher advances to suppliers of approximately Euro 1,233 thousand deriving from the advance payment of some products which are estimated to experience an increase in the purchase cost in the following months; this effect will be partially reabsorbed by the end of the financial year;
- payment of approximately Euro 575 thousand for the purchase of an additional 15% of Pegaso s.r.l., parent company of Systema.

For further details regarding the dynamics that influenced cash and cash equivalents, reference should be made to the Cash Flow Statement.

4.12 Shareholders' equity

Shareholders' equity was Euro 191,988 thousand (Euro 202,518 thousand as at 31 December 2019), a decrease during the year mainly due to the distribution of a dividend of Euro 6,612 thousand, as resolved by the Shareholders' Meeting on 24 April 2020, in addition to the result of period loss.

Share capital

The share capital as at 30 June 2020 amounts to Euro 21,343, divided into 21,673,189 ordinary shares and 195,000 special shares. There are also 6,130,954 warrants outstanding.

Other reserves

As at 30 June 2020, other reserves amounted to Euro 157,896 thousand and were divided as follows:

- Share premium reserve, which amounts to Euro 139,918 thousand;
- Reserves for a net amount of Euro 33,168 thousand deriving mainly from the allocation of the Purchase Price Allocation;
- Negative reserve for own shares in portfolio of Euro 15,190 thousand; during the first half of 2020 there were no movements either in purchase or sale, leaving the balances at the beginning of the financial year unchanged.

Share-based payments

The Group has a stock option plan in place (settlement with equity instruments) that allows some executives with key responsibilities to purchase shares in the Company. The following table summarises the main conditions of the Stock Option programme:

Date of assignment	Maximum number of instruments	Conditions for the accrual of the right	Contractual duration of options
04 June 2018	897,005 (*)	In proportion to the normal value	Three years

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

The options will vest, with the corresponding right of the beneficiaries to the free allocation of the relevant shares, in proportion to the normal value, according to the scheme shown in the table below:

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

During the period ended 30 June 2020, there were no assets held for specific business purposes.

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

The details of the item Payables to banks and other current and non-current lenders as at 30 June 2020 are shown below:

(In thousands of Euro)	Situation as at	
	30 June 2020	**31 December 2019**
Payables to banks and other lenders (current)	13,351	13,362
Payables to banks and other lenders (non-current)	31,138	37,621
Other current financial payables	2,603	2,694
Other non-current financial payables	1,574	3,023
Total Financial liabilities	**48,666**	**56,700**

As at 30 June 2020 the composition of financial liabilities was as follows:

- Euro 44,489 thousand (net of amortised cost) for the bank loan signed on 29 June 2017 (and slightly amended on 28 May 2018 in connection with the business combination, by Cellular Italia (later merged into Cellularline) with Banca Popolare di Milano S.p.A., as agent bank and financing bank, and UBI Banca S.p.A. as financing bank. The total capital amount of the loan was originally Euro 85 million, with an repayment obligation in six months instalments of Euro 6,667 thousand each and final payment date 20 June 2022. The loan includes a financial covenant (leverage ratio) which has always complied with. The interest on the loan in question is at a variable rate, calculated considering the Euribor plus a spread provided for in the contract (currently equal to the floor of 1.80%);
- Euro 1,800 thousand for the financial liability deriving from the probable exercise of the put/call options relating to the potential acquisition of the remaining 25% of Systema;
- Euro 1,610 thousand to the payable for leasing deriving from applying IFRS 16;
- Euro 766 thousand for the payable for the financial liability relating to warrants.

Financial liabilities as at 30 June 2020, gross of bank fees, are shown below:

(In thousands of Euro)	Origination	Due date	Original amount	Interest rate	Situation as at 30 June 2020		
					Residual debt	of which current portion	of which non-current portion
Banca Popolare di Milano	29 June 2017	20 June 2022	42,500	1.80%	22,244	6,676	15,568
UBI Banca S.p.A.	29 June 2017	20 June 2022	42,500	1.80%	22,245	6,676	15,569
Payables to banks and other lenders			**85,000**		**44,489**	**13,351**	**31,138**

Loans are valued at amortised cost in accordance with IFRS 9 and therefore their value, which amounted to Euro 44,489 thousand as at 30 June 2020 (Euro 50,983 thousand as at 31 December 2019), was reduced by ancillary charges on the loans.

Details of the financial liabilities are shown below based on the expiry dates:

(In thousands of Euro)	Situation as at	
	30 June 2020	**31 December 2019**
Within 1 year	15,954	16,056
From 1 to 5 years	32,609	40,644
Beyond 5 years	103	-
Total	**48,666**	**56,700**

The net financial indebtedness as at 30 June 2020 is detailed below; it should be noted that the net financial indebtedness is presented in accordance with the provisions of Consob Communication no. 6064293 of 28 July 2006 and in compliance with the recommendations of ESMA/2013/319.

(In thousands of Euro)	Situation as at		Changes	
	30 June 2020	**31 December 2019**	**Δ**	**%**
(A) Cash	8	11	(3)	-27.3%
(B) Other cash and cash equivalents	15,124	32,078	(16,954)	-52.8%
(C) Trading Securities	73	-	73	>100
(D) Liquidity (A)+(B)+(C)	**15,205**	**32,089**	**(16,884)**	**-52.6%**
(E) Current financial receivables	52	54		-0.3%
(F) Current bank debts	-	-	-	-
(G) Current portion of non-current indebtedness	13,351	13,362	(11)	-0.1%
(H) Other current financial debts	2,603	2,694	(91)	-3.4%
(I) Current financial indebtedness (F)+(G)+(H)	**15,954**	**16,056**	**(102)**	**-0.64%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*15,954*	*16,056*	*(102)*	*-0.6%*
(J) Net current financial indebtedness (I)+(E)+(D)	**697**	**(16,087)**	**16,784**	**-104.3%**
(K) Non-current bank debts	31,138	37,621	(6,483)	-17.2%
(L) Bonds issued	-	-	-	
(M) Other non-current financial loans	1,574	3,023	(1,449)	-47.9%
(N) Non-current financial indebtedness (K)+(L)+(M)	**32,712**	**40,644**	**(7,932)**	**-19.5%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*32,712*	*40,644*	*(7,932)*	*-19.5%*
(O) Net financial indebtedness (J)+(N)	**33,409**	**24,558**	**8,851**	**36.0%**
Other financial payables - Warrants and stock grants	766	1,449	(683)	-46.4%
Adjusted net financial indebtedness	**32,643**	**23,109**	**9,534**	**41.2%**

"Securities held for trading" only includes the fair value at the reporting date of the fx derivatives subscribed by the Group for its core business; these derivatives are not eligible for hedge accounting.

4.14 Employee benefits

As at 30 June 2020, this item, amounting to Euro 799 thousand (Euro 774 thousand as at 31 December 2019), derives from the actuarial valuation of the post- employment benefit (TFR) of the Parent Company; this valuation was carried out on the basis of the method of benefits accrued using the "Project Unit Credit" criterion as provided for by IAS 19.

The actuarial model is based on:

- discount rate of 0.74%, which was derived from the Iboxx Corporate AA index with a duration of 10+;
- annual inflation rate of 1.20%;
- annual rate of increase in the employee severance indemnity of 2.4%, which is equal to 75% of inflation plus 1.5 percentage points.

In addition, sensitivity analyses were carried out for each actuarial hypothesis, considering the effects that would have occurred following changes in the actuarial hypotheses that were reasonably possible at the balance sheet date; the results of these analyses do not give rise to significant effects.

4.15 Provisions for risks and charges

The change in the item Provisions for risks and charges, broken down for the period from 31 December 2019 to 30 June 2020 is shown below:

(In thousands of Euro)	**Provision to cover losses on equity investments**	**Provision for supplementary customer allowances**	**Total**
Balance as at 31 December 2019	409	1,656	**2,065**
- of which current portion	409	-	*409*
- of which non-current portion	-	*1,656*	*1,656*
Provisions	-	84	84
(Uses/Releases)	(344)	(167)	(511)
Balance as at 30 June 2020	**65**	**1,573**	**1638**
- of which current portion	*65*	-	*65*
- of which non-current portion	-	*1,573*	*1,573*

The Provision for agent's leaving indemnities refers the amount that the parent and Systema would be required to pay agents for the termination of the agency relationship if they agency contract are terminated for reasons not attributable to the agency. 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 Eurozone AA index in relation to the duration of the collective equal to 0.74%.

The provision to cover losses on equity investments is attributable to the previous losses of the associated company Cellular Swiss for the amount exceeding the write-down of the investment, in application of the equity consolidation method. Compared to 31 December 2019, this fund has been adjusted following the positive operating performance recorded by the related party in 2019.

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4.16 Trade payables

The details of the item Trade payables as at 30 June 2020 and 31 December 2019 are shown below:

(In thousands of Euro)	Situation as at	
	30 June 2020	**31 December 2019**
Trade payables from third parties	9,906	19,056
Total trade payables	**9,906**	**19,056**

As at 30 June 2020, trade payables, all due within the year within normal payment terms, despite the effects of COVID-19, amounted to Euro 9,906 thousand (Euro 19,056 thousand as at 31 December 2019) and refer to goods and services.

The decrease in the period for Euro 9,150 thousand is due to the seasonal nature of the business, which physiologically increases in the second half of the year, the timing effect of procurement (also following COVID 19) and the cost rationalisation actions implemented by Management.

4.17 Other liabilities

The details of the item Other liabilities payables as at 30 June 2020 and 31 December 2019 are shown below:

(In thousands of Euro)	Situation as at	
	30 June 2020	**31 December 2019**
Payables for personnel	1,923	1,996
Payables to social security institutions	1,107	952
Tax payables	868	1,172
Other payables	442	202
Total Other liabilities	**4,350**	**4,322**

As at 30 June 2020, other reserves amounted to Euro 4,350 thousand (Euro 4,322 thousand as at 31 December 2019) and were mainly divided as follows:

- Euro 1,923 thousand due to employees for amounts to be paid (13th and 14th months' salaries and bonuses);
- Euro 1,107 thousand due to social security institutions for contributions to be paid relating to personnel;
- Euro 868 thousand for tax payables (withholding tax and VAT payable);
- Euro 442 thousand for other payables (advances to customers and accrued expenses and deferred income).

4.18 Revenues

In the half year ended 30 June 2020, revenues from sales amounted to Euro 36,621 thousand (Euro 55,288 thousand as at 30 June 2019).

As already mentioned, the Group's activities develop through a single operating segment and can be divided into three main product lines:

- Red product line (accessories for multimedia devices);
- Black product line (accessories for motorcycles and bicycles);

- Blue product line (third party products marketed under concession for distribution).

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

Revenues from Sales by product line

(In thousands of Euro)	Half year ending on				Change	
	30 June 2020	% of revenues	30 June 2019	% of revenues	Δ	%
Red - Italy	12,540	34.2%	24,507	44.3%	(11,967)	(48.8%)
Red – International	16,504	45.1%	20,922	37.8%	(4,418)	(21.1%)
Revenues from Sales - Red	29,044	**79.3%**	**45,429**	**82.2%**	**(16,385)**	**(36.1%)**
Black – Italy	1,233	3.4%	2,310	4.2%	(1,077)	(46.6%)
Black – International	2,082	5.7%	2,116	3.8%	(34)	(1.6%)
Revenues from Sales - Black	**3,315**	**9.1%**	**4,426**	**8.0%**	**(1,111)**	**(25.1%)**
Blue – Italy	2,954	8.1%	4,241	7.7%	(1,287)	(30.3%)
Blue - International	1,141	3.1%	836	1.5%	305	36.5%
Revenues from Sales - Blue	**4,095**	**11.2%**	**5,077**	**9.2%**	**(982)**	**(19.3%)**
Others - Italy	167	0.5%	357	0.6%	(190)	(53.3%)
Revenues from Sales/Others	**167**	**0.5%**	**357**	**0.6%**	**(190)**	**(53.3%)**
Total Revenues from sales	**36,621**	**100%**	**55,288**	**100%**	**(18,667)**	**(33.8%)**

Revenues from Sales by geographical area

(In thousands of Euro)	Half year ending on				Change	
	30 June 2020	% of revenues	30 June 2019	% of revenues	Δ	%
Italy	16,894	46.1%	31,414	56.8%	(14,520)	(46.2%)
Benelux	3,781	10.3%	2,957	5.3%	824	27.9%
Austria/Germany	3,344	9.1%	5,472	9.9%	(2,128)	(38.9%)
France	3,161	8.6%	3,802	6.9%	(641)	(16.9%)
Eastern Europe	2,382	6.5%	2,686	4.9%	(303)	(11.3%)
Spain/Portugal	2,226	6.1%	2,916	5.3%	(690)	(23.7%)
Northern Europe	1,713	4.7%	2,054	3.7%	(341)	(16.6%)
Switzerland	1,601	4.4%	2,194	4.0%	(592)	(27.0%)
Middle East	266	0.7%	573	1.0%	(307)	(53.6%)
Others	1,253	3.4%	1,220	2.2%	33	2.7%
Total Revenues from sales	**36,621**	**100%**	**55,288**	**100%**	**(18,667)**	**(33.8%)**

4.19 Cost of sales

The cost of sales amounts to Euro 22,708 thousand as at 30 June 2020 (Euro 30,356 as at 30 June 2019) and mainly includes the costs of purchase and processing of raw materials for Euro 20,310 thousand, personnel costs for Euro 1,026 thousand, accessory costs for Euro 301 thousand and logistics costs for Euro 923 thousand.

4.20 Sales and distribution costs

As at 30 June 2020 the sales and distribution costs amounted to Euro 9,913 thousand (Euro 11,922 thousand as at 30 June 2019); these are made up of the items shown in the following table:

(In thousands of Euro)	Half year ending on			
	30 June 2020	**% of revenues**	**30 June 2019**	**% of revenues**
Personnel costs for sales and distribution	4,674	12.8%	5,064	9.2%
Commissions to customers	1,683	4.6%	2,675	4.8%
Transport	2,390	6.5%	2,046	3.7%
Commercial, advertising and consultancy expenses	577	1.6%	804	1.5%
Travel costs	256	0.7%	740	1.3%
Other sales and distribution costs	333	0.9%	593	1.1%
Total Sales and distribution costs	**9,913**	**27.1%**	**11,922**	**21.6%**

4.21 General and administrative costs

General and administrative costs mainly include amortisation of intangible assets and depreciation of property, plant and equipment for Euro 5,229 thousand, of which Euro 3,018 mainly deriving from the Purchase Price Allocation; this item also includes extraordinary charges relating to the Business Combination/STAR/M&A for Euro 807 thousand (mainly recorded under the items for administrative consultancy and commissions).

These costs, net of amortisation of intangible assets deriving from the Purchase Price Allocation, extraordinary charges and the effect of the integration of Systema, decreased compared to the previous half year thanks to the significant cost rationalisation actions implemented by Group Management to mitigate the economic and financial impact of COVID-19, which produced effects mainly from the second quarter of 2020.

(In thousands of Euro)	Half year ending on			
	30 June 2020	**% of revenues**	**30 June 2019**	**% of revenues**
Amortisation of intangible assets	4,110	11.2%	3,676	6.6%
Depreciation of property, plant and equipment	819	2.2%	775	1.4%
Provisions for risks and write-downs	125	0.3%	55	0.1%
Cost of administrative staff	2,226	6.1%	2,406	4.4%
Administrative, legal, personnel consultancy etc.	1,346	3.7%	1,818	3.3%
Remuneration of the Board of Directors and Board of Statutory Auditors	464	1.3%	271	0.5%
Commissions and fees	64	0.2%	125	0.2%
Other general administrative costs	1,311	3.6%	1,005	1.8%
Total general and administrative costs	**10,465**	**28.6%**	**10,131**	**18.3%**

4.22 Other non-operating costs and revenues

Other non-operating costs and income for the year as at 30 June 2020 amounted to Euro 363 thousand and are detailed as follows:

(In thousands of Euro)	Half year ending on			
	30 June 2020	**% of revenues**	**30 June 2019**	**% of revenues**
Contingent assets	267	0.7%	176	0.3%
SIAE fees recovered	260	0.7%	292	0.5%
Recovery from suppliers for promotions	-	-	64	0.1%
(SIAE and CONAI contributions)	(316)	-0.9%	(334)	-0.6%
(Contingent liabilities)	(254)	-0.7%	(130)	-0.2%
Other non-operating (costs) /revenues	406	1.1%	252	0.5%
Total Other non-operating costs and revenues	**363**	**1.0%**	**320**	**0.6%**

4.23 Financial income and charges

Net financial income and charges show a net positive balance of Euro 87 thousand (a negative Euro 765 thousand as at 30 June 2019).

(In thousands of Euro)	Half year ending on			
	30 June 2020	**% of revenues**	**30 June 2019**	**% of revenues**
Other financial income and change in fair value	813	0.3%	136	0.2%
Interest income	95	2.2%	74	0.1%
Total Financial income	**908**	**2.5%**	**210**	**0.4%**
Interest expense on medium/long-term loans	(658)	-1.8%	(820)	-1.5%
Commissions and fees	(119)	-0.1%	(94)	-0.2%
Other interest expense	(44)	-0.3%	(61)	-0.1%
Total Financial charges	**(821)**	**-2.2%**	**(975)**	**-1.8%**
Total Financial income and charges	**87**	**0.2%**	**(765)**	**-1.4%**

Financial income of Euro 908 thousand refers to the following:

- Euro 683 thousand to the change, compared to the previous year, in the fair value of the warrants issued;
- Euro 73 thousand to the positive fair value at 30 June 2020 of derivatives for exchange rate hedging;
- Euro 95 thousand to bank interest income.

Financial charges of Euro 821 thousand mainly refer to interest due to banks, related to the loan started on 29 June 2017 for an original amount of Euro 85,000 thousand.

The decrease compared with the previous six months is mainly due to the decrease in the Group's average gross indebtedness.

4.24 Gains and losses on exchange rates

(In thousands of Euro)	Half year ending on			
	30 June 2020	**% of revenues**	**30 June 2019**	**% of revenues**
Gains/(losses) on commercial exchanges	177	0.5%	(77)	-0.2%
Gains/(losses) on financial exchanges	26	0.1%	-	-
Total gains (and losses) on exchange rates	**203**	**0.6%**	**(77)**	**-0.1%**

4.25 Taxes

The details of the item Taxes for the six-month period ended 30 June 2020 and 30 June 2019 are shown below:

(In thousands of Euro)	Half year ending on	
	30 June 2020	**30 June 2019**
Current taxes	(1)	(328)
Current taxes from previous years	42	-
Deferred tax assets/(liabilities)	1,504	548
Total	**1,545**	**220**

The income tax charge is recognised, based on IAS 34, on the basis of management's best estimate of the weighted average annual tax rate for the entire year, applying it to the pre-tax result for the period applied to the individual entities.

The change compared to 30 June 2019 is mainly due to the allocation of deferred tax assets on the negative result for the period ended 30 June 2020.

Deferred tax of Euro 1,504 thousand refers to:

- revenues from the release of deferred tax liabilities arising from the effect of amortisation and depreciation on customer relationships, trademarks and commercial agreements, amounting to Euro 842 thousand;
- revenues from the provision for deferred tax assets on the negative result for the period of the various Group companies, amounting to Euro 840 thousand;
- costs for the allocation of deferred taxes deriving from the change in the fair value of the warrant, amounting to approximately Euro 164 thousand;
- costs for other minor items of Euro 15 thousand.

4.26 Basic and diluted earnings per share

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

(In thousands of Euro)	Half year ending on	
	30 June 2020	**30 June 2019**
Result for the period/year [A]	(3,921)	2,575
Number of shares (in thousands) taken into account for the calculation of basic and diluted earnings per share [B]	20,036	20,566
Basic and diluted earnings per share (*in Euro*) [A/B]	**(0.20)**	**0.13**

The number of shares remained unchanged compared to 31 December 2019.

4.27 Cash flow statement

The main phenomena that influenced cash flow trends in the periods under review are summarised below.

Net cash flow generated/(absorbed) by operating activities

(In thousands of Euro)	Half year ending on	
	30 June 2020	**30 June 2019**
Cash flow generated by operating activities		
Gains/(losses) of the period	(3,921)	2,575
Adjusted for:		
- Income taxes	(1,545)	220
- Net write-downs and provisions	332	839
- Expense/(income) from equity investments	(345)	-
- Financial (income)/expense accrued	595	765
- Depreciation, amortisation and write-downs of fixed assets	4,943	4,451
Changes in:		
- Inventories	(14,875)	(6,908)
- Trade receivables	25,099	7,594
- Trade payables	(9,150)	(4,167)
- Other changes in operating assets and liabilities	(167)	(3,643)
- Payment of employee benefits and change in provisions	(115)	(21)
Cash flow generated/(absorbed) by operating activities	**(852)**	**1,706**
Taxes paid/offset	(925)	-
Interest paid	(595)	(765)
Cash flow generated/(absorbed) by operating activities	**(668)**	**942**
Net charges from COVID-19/Business Combination/STAR/M&A (net of tax effect)	1,599	1,611
Advance payment for commercial contributions	-	1,733
Financial income from warrants	(683)	(74)
Adjusted Net cash flow generated/(absorbed) by operating activities	**248**	**4,212**

Cash flow generated/(absorbed) by investment activities

(In thousands of Euro)	Half year ending on	
	30 June 2020	**30 June 2019**
Cash flow from investment activities		
Acquisition of subsidiary company, net of cash acquired and other costs	-	(2,770)
(Purchase)/sale of property, plant and equipment and intangible assets	(1,561)	(4,359)
Cash flow generated/(absorbed) by investment activities	**(1,561)**	**(7,129)**

Cash flow generated/(absorbed) by financing activities

(In thousands of Euro)	Half year ending on	
	30 June 2020	**30 June 2019**
Cash flow from financing activities		
Increase/(Decrease) in financial liabilities	(6,666)	(6,666)
Increase/(Decrease) in other financial liabilities	(1,642)	4,871
(Purchase)/sale of treasury shares	-	(1,439)
(Dividend distribution)	(6,612)	(6,088)
Payment of transaction costs relating to financial liabilities	193	238
23 Other changes in shareholders' equity	-	(849)
Net cash and cash equivalents generated by financing activities	**(14,728)**	**(9,963)**

5. Related-party transactions

The Company has entered into, and continues to have, transactions of various kinds, mainly of a commercial nature, with related-party identified on the basis of the principles established by the International Accounting Standard IAS 24.

Transactions with related-party are neither atypical nor unusual and fall within the ordinary course of business of Group companies. 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 activity and (iii) the disbursement of loans to the above-mentioned related-party.

Related-party transactions, as defined by IAS 24 and governed by Article 4 of Consob Regulation 17221 of 12 March 2010 (and subsequent amendments), entered into by the Group up to 30 June 2020 concern mainly commercial transactions relating to the supply of goods and the provision of services.

The following is a list of the related-party with which other transactions took place in the first half of 2020, indicating the type of relationship:

Related parties	**Type and main correlation relationship**
Cellular Swiss S.A.	Company 50% associated with Cellularline S.p.A. (consolidated using the equity method); the remaining shareholders are: Ms Maria Luisa Urso (25%) and Mr Antonio Miscioscia (25%)
Cellular Iberia S.L.	Company in which related natural persons have an interest (Stefano Aleotti (25%) and Piero Foglio (25%))
Crescita Holding s.r.l.	Crescita Holding s.r.l., a company in which Alberto Toffoletto (Chairman of Crescita until the date of the relevant transaction), Antonio Tazartes (Chairman of the Board of Directors), Marco Drago (director until the date of the relevant transaction), Massimo Armanini (director until the date of the relevant transaction) and Cristian D'Ippolito (director)
Heirs Alessandro Foglio Bonacini, Manuela Foglio, Monia Foglio Bonacini, Christian Aleotti, Stefano Aleotti	Shareholders of Cellularline S.p.A.

Pegaso s.r.l./Systema s.r.l.	A 60% 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%).
Other	Family members of the Directors and Shareholders of Cellularline S.p.A.

The table below shows the balance sheet balances of the Company's Related Party Transactions for the six-month period ended 30 June 2020:

(In thousands of Euro)	**Current trade receivables**	**Other non-current receivables**	**(Trade payables)**
Cellular Swiss S.A.	5,625	563	-
Cellular Iberia S.L.	21	-	-
Total	**5,646**	**563**	**-**
Impact on the budget item	*15.8%*	*100%*	-

The table below shows the economic balances of Cellularline's Related Party Transactions until 30 June 2020:

(In thousands of Euro)	**Revenues from sales**	**(Selling and distribution costs)**	**(General and administrative costs)**	**Other non-operating (costs)/ revenues**
Cellular Swiss S.A.	1,446	-	-	-
Cellular Iberia S.L.	125	-	-	-
Shareholders	-	-	(27)	-
Other	-	-	-	(12)
Total	**1,571**	**-**	**(27)**	**(12)**
Impact on the budget item	*4.2%*	*%*	*0.2%*	*3.3%*

The main credit/debit and economic relations with related-party that the Cellularline had in the period ended 30 June 2020 are as follows:

- Cellular Swiss S.A.: commercial relationship relating to the sale of assets for sale by Cellularline to Cellular Swiss S.A., with the latter charging a share of the commercial contributions incurred for the acquisition of new customers and/or the development of existing customers, in line with the Group's commercial policies;
- Cellular Iberia S.L.: commercial relationship relating to the supply of goods for sale by Cellularline to Cellular Iberia S.L.;
- lease agreement with Valentini Battistini (heir of Alessandro Foglio Bonacini) stipulated on 1 March 2010;
- lease agreement with Manuela Foglio, Monia Foglio Bonacini, Alessandro Foglio Bonacini and Christian Aleotti stipulated on 1 September 2017;
- lease agreement with Manuela Foglio, Monia Foglio Bonacini, Alessandro Foglio Bonacini and Christian Aleotti stipulated on 16 October 2017;
- Other: wages and salaries for employee services relating to the following persons:
  - Barbara Foglio, sister of the Deputy Chairperson of the Board of Directors Piero Foglio, in office until 26 April 2020, whose remuneration is classified under general and administrative costs.

6. Other information

6.1 Contingent liabilities

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

6.2 Risks

It should also be noted that the Group is exposed to the various risks already illustrated in Paragraph 13 of the Interim Directors' Report.

6.3 Guarantees granted in favour of third parties

This item includes sureties payable in favour of third parties for Euro 420 thousand, mainly relating to a customer to guarantee any contractual penalties for commercial supplies.

6.4 Subsequent events

Acquisition of control of Worldconnect AG

In July 2020, 80% of Worldconnect AG, the world market leader in premium travel adapters, was acquired. Founded in 2002, based in Diepoldsau (Switzerland), Worldconnect - through its trademarks SKROSS and Q2 Power and leading OEM partnerships - operates internationally with a vast range of products comprising multiple travel adapters, specific adapters for individual countries and power peripheral devices (battery chargers, power banks and cables); approximately 80% of the Company's products are developed on the basis of patents with an average residual life of around 10 years.

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

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

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

The Chairman of the Board of Directors	Manager responsible for preparing the accounting and corporate documents
_____________________	_____________________
Antonio Luigi Tazartes	Stefano Cerrato

CERTIFICATION OF THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020 PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED AND SUPPLEMENTED

The undersigned Christian Aleotti and Marco Cagnetta, in their capacity as Managing Directors, and Stefano Cerrato, in his as Manager responsible for preparing the accounting and corporate documents of the Cellularline Group, certify, taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the business, and
- the effective application of the administrative and accounting procedures for the preparation of the Condensed Half-Year Consolidated Financial Statements for the six-month period ended 30 June 2020.

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

We also certify that the Condensed Interim Consolidated Financial Statements for the six-month period ended 30 June 2020 of the Cellularline Group:

- were prepared in accordance with the applicable international accounting standards recognised by the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the results of the accounting books and records;
- provide a true and fair view of the balance sheet and financial position of the issuer and of all the companies included in the consolidation.

The interim Director's Report includes a reliable analysis of references to important events that occurred in the first six months of the year and their impact on the condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim Director's Report also includes a reliable analysis of information on significant transactions with related parties.

Reggio Emilia, 11 September 2020

Christian Aleotti

Deputy Chairman and Chief Executive Officer

Marco Cagnetta

Chief Executive Officer

Stefano Cerrato

Manager responsible for preparing the accounting and corporate documents

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
Cellularline S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Cellularline Group, comprising the statement of financial position as at 30 June 2020, the income statement and the statements of comprehensive income, cash flows and changes in equity for the six months then ended and notes thereto. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Cellularline Group as at and for the six months ended 30 June 2020 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Bologna, 11 September 2020

KPMG S.p.A.

(signed on the original)

Davide Stabellini
Director of Audit