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

www.cellularlinegroup.com

CONSOLIDATED HALF YEAR FINANCIAL REPORT AS AT 30 JUNE 2021

cellularline

Table of Contents

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 information:

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

VAT reg. no. and Tax Code 09800730963

Economic and Administrative Register REA-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
Marco Di Lorenzo	Director
Cristian D'Ippolito	Director
Gaia Guizzetti	Director
Carlo Moser	Director

Risk and Control Committee

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

Appointments and Remuneration Committee

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

Related-party transactions Committee

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

Board of Statutory Auditors

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

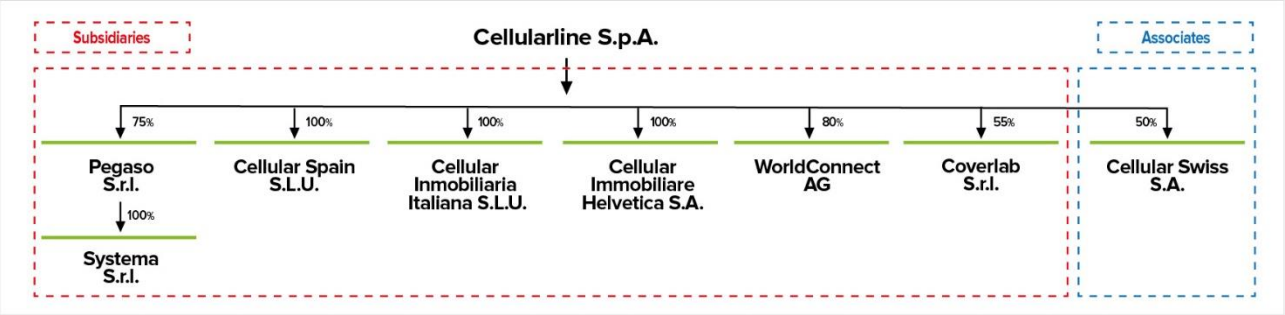
Supervisory Body

Anna Doro	Chairwoman
Fabrizio Capponi	Member
Ester Marino	Member

Independent Auditors

KPMG S.p.A.

GROUP STRUCTURE AS AT 30 JUNE 2021



GROUP COMPOSITION

As at 30 June, the Group consists of the following companies:

- Cellularline S.p.A., the parent, incorporated under Italian law with registered address at Via Lambrakis 1/a, Reggio Emilia (Italy), and operating in Italy and abroad in the design, distribution (including third party brand products) and marketing of accessories and devices for multimedia products (smartphones, tablets, wearables, audio devices, etc.) and accessories and devices for connectivity in motion (in the car and on motorcycles/bikes). The parent has a permanent establishment in Paris, at 91, Rue Du Faubourg Saint Honoré (France), where employees operate on a permanent basis, carrying out strictly commercial activities for the management of relationships with customers in the French market.
- Cellular Spain S.L.U., a wholly-owned subsidiary incorporated under Spanish law with registered office in C/Newton, 1 edificio 2 nave 1, Leganes (Madrid), which distributes Cellularline brand products in the Spanish and Portuguese markets.
- Cellular Inmobiliaria Italiana S.L.U., a wholly-owned subsidiary incorporated under Spanish law with registered office in Cl. Industrial No.50 Sur Edificio 2 Nave 27, Leganes (Madrid), that owns a property - formerly the headquarters of Cellular Spain - currently leased to third parties;
- Cellular Immobiliare Helvetica S.A., a wholly-owned subsidiary with registered office in Lugano, Via Ferruccio Pelli no. 9 (Switzerland), that owns the property leased to the commercial company Cellular Swiss S.A.;
- Pegaso s.r.l., a company incorporated under Italian law with registered office in Via Brigata Reggio 24, Reggio Emilia (Italy), which was acquired on 3 April 2019 and is 75% owned. As a holding company it owns 100% of Systema s.r.l.;
- Systema s.r.l., a company incorporated under Italian law with registered office in Via della Previdenza Sociale 2, Reggio Emilia (Italy), 75% of which is indirectly owned through the equity investment held in Pegaso s.r.l.; Systema operates in the European market for mobile phone accessories for telecommunications;

- Worldconnect AG, an 80% owned subsidiary incorporated under Swiss law based in Diepoldsau, Switzerland, is the world market leader in premium travel adapters. Founded in 2002, Worldconnect - through its trademarks SKROSS and Q2 Power and leading OEM partnerships - operates internationally with a vast range of products comprising multiple travel adapters, specific adapters for individual countries and power peripheral devices.
- Coverlab S.r.l., an Italian company based at via Flaminia Conca 35, Rimini, 55% controlled, is an e-commerce company, operating - through its proprietary website - in the custom segment of smartphone accessories under the brand Coverlab.
- Cellular Swiss S.A., a 50% owned associate incorporated under Swiss law with registered office in Route de Marais 17, Box No. 41, Aigle (Switzerland), which distributes the Cellularline products in the Swiss market;

cellularline

[CELLULARLINEGROUP]

www.cellularlinegroup.com

INTERIM DIRECTORS' REPORT

1. Introduction

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

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

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

These Condensed Interim Consolidated financial statements as at and for the six-months ended 30 June 2021 include the financial statements of the Parent and its subsidiaries (hereinafter also the "Group" or the "Cellularline Group").

2. Methodological note

This Interim Directors' Report provides information on the financial position, performance and cash flows of the Cellularline Group as at and for the six months ended 30 June 2021, compared with the figures as at and for the six months ended 30 June 2020 (31 December 2020 for the financial position).

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

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

3. Accounting policies

This Directors' Report at 30 June 2021 was prepared in accordance with the provisions of art. 154-*ter*, paragraph 4 of Legislative Decree no. 58/98 of the T.U.F. [Consolidated Finance Act] - and subsequent amendments and additions - in compliance with art. 2.2.3 of the Stock Exchange Rules - 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 and for the year ended 31 December 2020. The accounting policies and criteria adopted are consistent with those used for the annual consolidated financial statements at 31 December 2020.

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

The APIs shown (adjusted EBITDA, adjusted EBIT, adjusted profit/loss for the year/period attributable to owners of the parent, adjusted cash flows from operating activities, adjusted net financial indebtedness, adjusted net financial indebtedness/adjusted LTM EBITDA, cash generation and cash conversion ratio) are not identified as indicators under IFRS and, therefore, as explained above, should not be considered as alternative measures to those provided in the Group's financial statements for the assessment of the Group's performance and financial position. Certain indicators defined as "adjusted" are reported in order to present the Group's performance and financial position, net of non-recurring events, non-core operations and events related to non-recurring transactions, as identified by the Group. These indicators reflect the main financial statements items, net of non-recurring income and expense that are not strictly related to the Group's core business, and therefore provide a more consistent analysis of the Group's performance in the periods considered.

4. Main financial and performance indicators[1]

(In thousands of Euro)	Half year ended	
	30 June 2021	**30 June 2020**
Performance indicators		
Revenue	39,707	36,621
Adjusted EBITDA[2]	1,576	1,234
Adjusted EBIT[3]	(884)	(690)
Profit/(loss) for the period attributable to the owners of the parent	(3,225)	(3,921)
Adjusted profit/(loss)for the period attributable to the owners of the parent[4]	(152)	(666)

(In thousands of Euro)	Balance at		
	30 June 2021	**31 December 2020**	**30 June 2020**
Financial indicators			
Cash flows generated by operating activities	15,245	11,307	(668)
Adjusted cash flows generated by operating activities[5]	16,057	14,604	248
Net financial indebtedness	38,155	48,958	33,409
Adjusted net financial indebtedness	36,745	48,305	32,643
Adjusted net financial indebtedness/Adjusted LTM EBITDA[6]	2.5	3.2	1.3
Cash generation[7]	(426)	11,225	(327)
Cash conversion ratio[8]	(27.0%)	74.3%	(26.4%)

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

The EMEA market for smartphone accessories worth less than Euro 100 - which is the one in which the Group mainly operates - performed positively during H1 2021 for the accessories market (+6.8%), reversing the negative

[1] Adjusted indicators are not identified as IFRS indicators and, therefore, should not be considered as an alternative measure for the assessment of the Group's results. Since the composition of these indicators is not regulated by IFRS, the Group's calculation criterion applied may not be consistent with that adopted by other companies or that may be adopted in the future by the Group, or created by it, and thus not comparable.

[2] Adjusted EBITDA is the Consolidated EBITDA adjusted by (i) non-recurring expense/(income), (ii) the effects deriving from non-core events, (iii) the effects of events associated with non-recurring transactions and (iv) exchange gains/(losses).

[3] Adjusted EBIT is the operating profit adjusted by (i) non-recurring expense/(income) and (ii) the effects of non-core events, (iii) the effect of events associated with non-recurring transactions and (iv) adjustments of depreciation relating to the purchase price allocation procedure.

[4] The adjusted consolidated profit or loss for the period attributable to the parent is calculated as the consolidated profit/(loss) for the period adjusted by (i) adjustments in adjusted EBITDA, (ii) the adjustments of depreciation relating to the purchase price allocation procedure, (ii) non-recurring financial expense/(income) adjustments and (v) the theoretical tax impact of these adjustments.

[5] Adjusted cash flows generated by operating activities is the result of cash flow generated from operating activities, adjusted for non-recurring expenses/income

[6] 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 by financial liabilities for warrants.

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

[8] The 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.

trend seen last year, despite the third wave of COVID-19 having a negative impact, particularly during the first part of the first half of 2021.

Performance was positive in all the main European markets apart from Germany and Benelux.

6. Group performance

The income statement schedules presented in this Interim Directors' Report have been reclassified in accordance with the presentation methods that management believes best represent the trend of the Group's operating results for the half year.

Income Statement

(thousands of Euro)	H1 2021	Of which related parties	% of revenue	H1 2020	Of which related parties	% of revenue
Revenue from sales	39,707	1,554	*100%*	36,621	1,571	*100%*
Cost of sales	(23,753)		*-59.8%*	(22,708)		*-62.0%*
Gross operating profit	**15,954**		***40.2%***	**13,913**		***38.0%***
Sales and distribution costs	(11,375)		*-28.6%*	(9,913)		*-27.1%*
General and administrative costs	(11,470)	(5)	*-28.9%*	(10,465)	(12)	*-28.6%*
Other non-operating (expense)/revenue	1,979		*5.0%*	363	(27)	*1.0%*
Operating profit/(loss)	**(4,912)**		***-12.4%***	**(6,102)**		***-16.7%***
* of which depreciation and amortisation (including PPA amortisation)	5,673		*14.3%*	4,943		*13.5%*
* of which non-recurring COVID-19 expense/(revenue)	(78)		*-0.2%*	1,410		*3.9%*
* of which other non-recurring expense	889		*2.2%*	807		*2.2%*
* of which operating exchange gains	4		*0.0%*	177		*0.5%*
Adjusted operating profit (EBITDA)	**1,576**		***4.0%***	**1,234**		***3.4%***
Financial income	244		*0.6%*	908		*2.5%*
Financial expense	(1,587)		*-4.0%*	(821)		*-2.2%*
Exchange gains/(losses)	(6)		*0.0%*	203		*0.6%*
(Gains)/losses on equity investments	120		*0.4%*	345		*0.9%*
Profit/(loss) before tax	**(6,141)**		***-15.4%***	**(5,466)**		***-14.9%***
* of which PPA amortisation	3,213		*8.1%*	3,018		*8.2%*
* of which non-recurring COVID-19 expense/(revenue)	(78)		*-0.2%*	1,410		*3.9%*
* of which other non-recurring expense	889		*2.2%*	807		*2.2%*
* of which fair value (gains)/losses on warrants	757		*1.9%*	(683)		*-1.9%*
Adjusted profit/(loss) before tax	**(1,360)**		***-3.3%***	**(914)**		***-2.5%***
Current and deferred taxes	2,916		*7.3%*	1,545		*4.2%*
Profit /(loss) for the period attributable to owners of the parent	**(3,225)**		***-8.0%***	**(3,921)**		***-10.7%***
* of which PPA amortisation	3,213		*8.1%*	3,018		*8.2%*
* of which non-recurring COVID-19 expense/(revenue)	(78)		*-0.2%*	1,410		*3.9%*
* of which other non-recurring expense	889		*2.2%*	807		*2.2%*
* of which fair value (gains)/losses on warrants	757		*1.9%*	(683)		*-1.9%*
* of which tax effect on the above items	(1,708)		*-4.3%*	(1,296)		*-3.5%*
Adjusted profit/(loss) for the period attributable to owners of the parent	**(152)**		***-0.4%***	**(666)**		***-1.8%***

6.1 Consolidated revenue

It should be noted that the Group's revenue, given the seasonality of the business, account for less than 40% of the annual total and is therefore not necessarily representative of an annual trend.

Revenue in the first half of the year has increased on the same period of the previous year, above all thanks to the progressive recovery of the social-economic context - after the lockdowns during the first part of the year - following the roll-out of vaccines and the gradual elimination of the restrictions imposed by the authorities.

As compared with the same period of the previous year, the general performance of revenue is positive for EUR 3,086 thousand, mainly thanks to the better performance seen in Italy by all three product lines (Red, Black and Blue) and the change in the consolidation scope due to Worldconnect AG (acquired in July 2020), which contributed with period turnover of EUR 1,179 thousand.

6.1.1 Revenue from sales by product line

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

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

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

(iii) Blue line, which includes all the products marketed in Italy and abroad, not under the Group's proprietary trademarks.

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

Revenue from sales by product line

(In thousands of Euro)	Half year ended				Change	
	30 June 2021	**% of revenue**	**30 June 2020**	**% of revenue**	**Δ**	**%**
Red – Italy	16,019	40.3%	12,540	34.2%	3,479	27.7%
Red – International	15,176	38.2%	16,504	45.1%	(1,328)	-8.0%
Revenue from sales – Red	**31,195**	**78.6%**	**29,044**	**79.3%**	**2,151**	**7.4%**
Black – Italy	2,269	5.7%	1,233	3.4%	1,036	84.1%
Black – International	2,274	5.7%	2,082	5.7%	192	9.2%
Revenue from sales – Black	**4,543**	**11.4%**	**3,315**	**9.1%**	**1,228**	**37.0%**
Blue – Italy	3,203	8.1%	2,954	8.1%	249	8.4%
Blue – International	652	1.6%	1,141	3.1%	(489)	-42.8%
Revenue from sales – Blue	**3,855**	**9.7%**	**4,095**	**11.2%**	**(240)**	**-5.9%**
Other – Italy	114	0.3%	167	0.5%	(53)	-31.7%
Revenue from sales – Other	**114**	**0.3%**	**167**	**0.5%**	**(53)**	**-31.7%**
Total revenue from sales	**39,707**	**100.0%**	**36,621**	**100%**	**3,086**	**8.4%**

- the **Red Line** grew by 7.4% (EUR 2.2 million), driven by the recovery of the domestic market demand (+27.7%) following the progressive normalisation of the economic situation.

  The organic performance of the foreign markets[9] is negative for EUR 2.5 million, mainly due to the temporary difficulties, worsened by continued Covid-19 restrictions, encountered in implementing the new route-to-market for the German market;
- the **Black Line** performed excellently (+37.1%) as compared with the same period of the previous year, recording sales of EUR 4.5 million;
- the **Blue Line**, dedicated to the sale of third party brand products distributed is slightly down (EUR 0.2 million) on the same period of the previous year, penalised by the negative performance of the international Telco channel, partially offset by the recovery of the domestic market, mainly driven by the demand for Samsung brand products distributed in Italy.

With reference to the contribution made by Worldconnect, it should be noted that the Airport Travel Retail channel, the Company's main reference channel, is still heavily penalised by restrictions on the movement of people between countries at global level.

6.1.2 Consolidated revenue by geographical area

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

Revenue from sales by geographical segment

(In thousands of Euro)	Half year ended				Change	
	30 June 2021	% of revenue	30 June 2020	% of revenue	Δ	%
Italy	21,605	54.4%	16,894	46.1%	4,711	27.9%
Spain/Portugal	3,599	9.1%	2,226	6.1%	1,373	61.7%
Eastern Europe	2,879	7.3%	2,382	6.5%	497	20.9%
France	2,799	7.0%	3,161	8.6%	(362)	-11.4%
Benelux	2,102	5.3%	3,781	10.3%	(1,679)	-44.4%
Northern Europe	2,015	5.1%	1,713	4.7%	302	17.6%
Switzerland	1,750	4.4%	1,601	4.4%	149	9.3%
Austria/Germany	1,270	3.2%	3,344	9.1%	(2,074)	-62.0%
Middle East	332	0.8%	266	0.7%	66	24.8%
Others	1,356	3.4%	1,253	3.40%	103	8.2%
Total revenue from sales	**39,707**	**100%**	**36,621**	**100%**	**3,086**	**8.4%**

As far as the analysis of sales by geographical area is concerned, there is an increase in the incidence of the domestic market (+54,4% vs. 46,1%) compared with the same period of the previous year, mainly thanks to the positive performance of Italy (+27.9%), with respect to a reduction of EUR 1.6 million in sales recorded in the rest of the world.

Net of the contribution made by Worldconnect, the decline of international markets is mainly due to the negative performance of the German market, equal to EUR 2.2 million due to that mentioned previously.

[9] Net of the contribution made by Worldconnect, entirely allocated to the Red – International Line, of EUR 1.2 million.

The performance recorded in the other countries, which is strictly linked to the type and duration of the lockdowns implemented by the various authorities, record a decline in Benelux and France, whilst it is up in both Spain and the countries of Eastern Europe.

6.2 Cost of sales

In the first half of 2021, the cost of sales came to Euro 23,753 thousand (Euro 22,708 thousand in H1 2020) equating to 59.8% of revenue, as compared with 62.0% of the same period of the previous year.

Net of the non-recurring effect of EUR 1.5 million[10], mainly stemming from COVID-19, which has caused both the collection of unsold goods from our customers and a greater level of obsolescence consequent to the failure to achieve the planned sales, the cost of sales came to Euro 22.2 million, accounting for 56.0% of revenue (58.6% in H1 2020). This decline in the incidence of costs of 2.6% on the first six months of the previous year, is mainly due to the following factors: *i*) the performance of the dollar, which has had a positive impact on the value of goods purchased from the Far-East and *ii*) the greater absorption of fixed costs, particularly for logistics and staff;

6.3 Sales and distribution costs

(In thousands of Euro)	Half year ended		Changes	
	30 June 2021	**30 June 2020**	**Δ**	**%**
Sales and distribution personnel expense	5,433	4,674	759	16.2%
Commissions to agents	2,286	1,683	603	35.8%
Transport	2,350	2,390	(40)	-1.7%
Advertising and advertising consultancy expenses	642	577	65	11.3%
Other sales and distribution costs	664	589	75	12.7%
Total sales and distribution costs	**11,375**	**9,913**	**1,462**	**14.7%**

The item had a 1.6% higher incidence on revenue than in H1 2020, mainly due to: (i) the increase in commissions to agents deriving from an increase in the national turnover mix as compared with the foreign markets; (ii) the increase in personnel expense deriving from both the acquisition of Worldconnect and the fact that during the first half of 2020, action was taken to rationalise costs and mitigate the impact tied to the first wave of COVID-19 (including CIGD, reducing top management salaries, etc.), action that has not been taken in 2021.

[10] During H1 2021, non-recurring effects included in the cost of sales (EUR 1.5 million) relate to COVID-19 for EUR 1.4 million and to other costs for EUR 0.1 million. During H1 2020, non-recurring effects included in the cost of sales (Euro 1.3 million) all related to Covid-19.

6.4 General and administrative costs

	Half year ended		Changes	
	30 June 2021	30 June 2020	Δ	%
Amortisation	4,768	4,110	658	16.0%
Depreciation	905	819	86	10.5%
Provisions for risks and impairment losses	85	125	-40	-32.0%
Administrative personnel expense	2,579	2,226	353	15.9%
Strategic, administrative, legal HR consultancy, etc.	1,206	1,346	(140)	-10.4%
Commissions and fees	44	64	(20)	-31.3%
Directors' and Statutory Auditors' fees	478	464	14	3.0%
Other general and administrative costs	1,405	1,311	94	7.2%
Total General and administrative costs	**11,470**	**10,465**	**1,005**	**9.6%**

General and administrative costs amounted to Euro 11,470 thousand in the first half of 2021, compared to Euro 10,465 thousand in the first half of 2020. General and administrative costs increased with respect to the same period of the previous year, mainly due to: (i) the increase in the amortisation of intangible fixed assets, of which EUR 3,213 deriving from the purchase price allocation (EUR 3,018 thousand in H1 2020); (ii) the increase in personnel expense deriving from both the acquisition of Worldconnect and the action taken by management in 2020 to rationalise costs and mitigate the impact related to the first wave of COVID-19 (including CIGD, reducing top management salaries, etc.); no such action was taken in 2021.

6.5 Other non-operating expense and revenue

Net other non-operating revenue amounted to EUR 1,979 thousand and mainly refer to costs and revenue relating to the Group's residual operations. The item can be broken down as follows:

(In thousands of Euro)	Half year ended		Changes	
	30 June 2021	30 June 2020	Δ	%
Prior year income (expense)	(192)	13	(205)	<100%
Recoveries of SIAE fees	130	260	(130)	-50.0%
(SIAE and CONAI contributions)	(199)	(316)	117	-37.0%
Other non-operating revenue	2,240	406	1,834	>100%
Net other non-operating revenue	**1,979**	**363**	**1,616**	**>100%**

Total other non-operating revenue came to EUR 1,979 thousand, up by EUR 1,616 thousand on 2020; the increase is mainly due to the *Härtefallmassnahmen für Unternehmen in Zusammenhang mit der COVID-19-Epidemie* ("Härtefall"). The Härtefall is a contribution that the Department of Economic Affairs of the Canton of San Gallo disbursed to WorldConnect AG in May 2021. It is a government support offered to the businesses that have most suffered the decline in turnover as a result of the COVID-19 pandemic and aims to cover structural costs. The Swiss subsidiary

WorldConnect AG, operating in the Airport Travel Retail segment, has seen a drastic reduction to turnover and this contribution (CHF 1,966 thousand or EUR 1,796 thousand), has allowed the company to offset the structural costs not covered by operating cash flow in 2020 and the early months of 2021, allowing it to successfully come through this period of business difficulties, limiting financial tension.

6.6 Adjusted EBITDA

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

(In thousands of Euro)	Half year ended		Changes	
	30 June 2021	**30 June 2020**	**Δ**	**%**
Operating profit/(loss)	**(4,912)**	**(6,102)**	**1,190**	**-19.5%**
Amortisation and depreciation	5,673	4,943	730	14.8%
Non-recurring COVID-19 expense /(revenue)	(78)	1,410	(1,488)	<-100%
Other non-recurring expense	889	807	82	10.2%
Exchange gains	4	177	(173)	-97.7%
Adjusted EBITDA	**1,576**	**1,234**	**342**	**27.7%**

Adjusted EBITDA of EUR 1,576 thousand in the period under review shows growth of Euro 342 thousand on the same period of the previous year, despite a moderate negative impact, of approximately EUR 0.1 million, deriving from the consolidation of six months of Worldconnect (whose Airport Travel Retail reference channel is still most severely penalised by COVID-19).

Adjusted EBITDA is therefore up EUR 0.3 million, showing a recovery of margins (+0.6%) on the same period of the previous year, going from 3.4% in H1 2020 to the current 4.0%.

Adjustments made to EBITDA, excluding depreciation and amortisation, amounted to EUR 815 thousand during 2021 (EUR 2,394 thousand during 2020) and mainly consisted of:

(i) net non-recurring revenue linked to the COVID-19 health emergency of EUR 78 thousand, mainly comprising income of EUR 1,502 thousand for the Härtefall contribution received in 2021 by the subsidiary Worldconnect pertaining to the previous year, which is partially offset by an expense of EUR 1,400 thousand stemming from COVID-19, which caused both the collection of unsold goods from our customers - carried out in a partnership approach - and the greater obsolescence as a consequence of the failure to make the expected sales;

(ii) other non-recurring expense of EUR 889 thousand which relate to strategic, financial and legal consultancy costs and costs relating to the acquisition of the company Coverlab;

(iii) exchange gains of EUR 4 thousand which relate to the effect of translating trade receivables/payables expressed in foreign currencies at the reporting date and the effect of currency purchase for transactions in USD recognised in profit or loss under financial income; although these are not non-recurring income and expense, with this adjustment the Group aims to present its performance net of currency effects.

6.7 Financial income and expense

Net financial expense amounts to EUR 1,344 thousand (income of EUR 87 thousand in the first half of 2020):

(In thousands of Euro)	Half year ended		Changes	
	30 June 2021	30 June 2020	Δ	%
Fair value gains	243	813	(570)	-70.1%
Interest income	1	95	(94)	-98.9%
Total financial income	**244**	**908**	**(664)**	**-73.1%**
Commissions and other financial expense from fair value	(957)	(119)	(838)	>100%
Interest expense on non-current loans	(591)	(658)	67	-10.2%
Other interest expense	(39)	(44)	5	-11.4%
Total financial expense	**(1,587)**	**(821)**	**(766)**	**93.4%**
Net financial income (expense)	**(1,343)**	**87**	**(1,430)**	**<100%**

Net financial expense for H1 2021 comes to EUR 1,343 thousand, while in H1 2020, income was recorded for EUR 87 thousand. This effect is exclusively due to the change in the fair value of warrants issued, which in 2021 generated an expense of EUR 757 thousand, while in 2020 had a positive impact on the income statement in the amount of EUR 683 thousand; therefore, net of this effect relative to the warrants - which totals EUR 1,440 thousand - net financial expense for H1 2021 is in line with 2020.

Financial income for the first half of 2021 comes to EUR 244 thousand and refers to:

- EUR 243 thousand, fair value gain for exchange rate hedging (EUR 73 thousand in H1 2020);
- EUR 1 thousand for bank interest income (EUR 95 thousand in H1 2020);

In the same period of the previous year, the item included a fair value gain of EUR 683 thousand in the warrants issued by the Group (6,130,954 at 30 June 2020).

Financial expense for the first half of 2021 comes to EUR 1,588 thousand and mainly refers to:

- the EUR 757 thousand fair value losses, compared to the previous year, in warrants issued by the Group (6,130,954 at 30 June 2021);
- EUR 591 thousand related to interest due to banks on the loan stipulated in October 2020 for an original amount of EUR 50,000 thousand (the residual amount due at 30 June 2021 is EUR 40,000 thousand).

6.8 Exchange gains/(losses)

(In thousands of Euro)	Half year ended		Changes	
	30 June 2021	30 June 2020	Δ	%
Exchange gains on trade transactions	4	177	-173	<100%
Exchange gains/(losses) on financial transactions	(10)	26	-36	>100%
Net exchange gains/(losses)	**(6)**	**203**	**-209**	**>100%**

The decrease of EUR 209 thousand is mainly due to the trend of the EUR/USD exchange rate.

6.9 Adjusted EBIT

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

(In thousands of Euro)	Half year ended		Changes	
	30 June 2021	30 June 2020	Δ	%
Operating profit/(loss)	**(4,912)**	**(6,102)**	**1,190**	**-19.5%**
PPA amortisation	3,213	3,018	195	6.5%
Non-recurring COVID-19 expense/(revenue)	(78)	1,410	(1,488)	<-100%
Other non-recurring expense	889	807	82	10%
Exchange gains	4	177	(173)	-97.7%
Adjusted EBIT	**(884)**	**(690)**	**(194)**	**28.1%**

Adjusted EBIT amounted to a negative EUR 884 thousand (a negative EUR 690 thousand for the first half of 2020).

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

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

The main data used to calculate the adjusted profit/(loss) for the period attributable to the owners of the parent is shown below:

(In thousands of Euro)	Half year ended		Changes	
	30 June 2021	30 June 2020	Δ	%
Profit/(loss)for the period attributable to the owners of the parent	**(3,225)**	**(3,921)**	**696**	**-17.8%**
Non-recurring COVID-19 expense/(revenue)	(78)	1,410	(1,488)	<-100%
Other non-recurring expense	889	807	82	10%
PPA amortisation	3,213	3,018	195	6.5%
Fair value on warrants	757	(683)	1,440	>100%
Tax effect of the above items	(1,708)	(1,296)	(412)	31.8%
Adjusted profit/(loss)for the period attributable to the owners of the parent	**(152)**	**(666)**	**514**	**-77.2%**

The adjusted loss for the period attributable to the owners of the parent is EUR 152 thousand, yet still shows improvement on H1 2020 (a loss of EUR 666 thousand).

In addition to the factors mentioned in the paragraph on adjusted EBIT, the adjustments made to this item mainly relate to the change in the fair value on warrants and the tax effects of the items adjusted.

7. Statement of financial position

Statement of financial position

(In thousands of Euro) **ASSETS**	**30/06/2021**	**Of which related parties**	**%**	**31/12/2020**	**Of which related parties**	**%**
Intangible assets	71,272		*25.0%*	74,940		*25.5%*
Goodwill	108,033		*38.0%*	106,408		*36.2%*
Property, plant and equipment	7,672		*2.7%*	7,924		*2.7%*
Equity investments in associates and other companies	56		*0.0%*	-		-
Right-of-use assets	1,868		*0.7%*	1,749		*0.6%*
Deferred tax assets	4,283		*1.5%*	1,782		*0.6%*
Non-current financial assets	546	546	*0.2%*	555	555	*0.2%*
Total non-current assets	**193,730**		***68.1%***	**193,358**		***65.8%***
Inventories	32,003		*11.2%*	32,963		*11.2%*
Trade receivables	36,679	4,765	*12.9%*	52,704	5,244	*17.9%*
Current tax assets	1,278		*0.4%*	1,528		*0.5%*
Financial assets	352		*0.1%*	108		*0.0%*
Other assets	3,184		*1.1%*	4,780		*1.6%*
Cash and cash equivalents	17,254		*6.1%*	8,629		*2.9%*
Total current assets	**90,750**		***31.9%***	**100,711**		***34.2%***
TOTAL ASSETS	**284,480**		***100.0%***	**294,069**		***100.0%***
Share capital	21,343		*7.5%*	21,343		*7.3%*
Other reserves	158,255		*55.6%*	157,761		*53.6%*
Retained earnings	28,681		*10.1%*	15,451		*5.3%*
Profit (loss) for the period/year attributable to the owners of the parent	(3,225)		*-1.1%*	13,900		*4.7%*
Equity attributable to the owners of the parent	**205,054**		***72.1%***	**208,455**		***70.9%***
Equity attributable to non-controlling interests	-			**-**		
Total Equity	**205,054**		***72.1%***	**208,455**		***70.9%***
LIABILITIES						
Financial liabilities	30,641		*10.8%*	35,027		*11.9%*
Deferred tax liabilities	2,282		*0.8%*	2,552		*0.9%*
Employee benefits	685		*0.2%*	720		*0.2%*
Provisions for risks and charges	1,738		*0.6%*	1,697		*0.6%*
Other financial liabilities	7,076		*2.5%*	5,961		*2.0%*
Total non-current liabilities	**42,422**		***14.9%***	**45,957**		***15.6%***
Financial liabilities	10,072		*3.5%*	10,039		*3.4%*
Trade payables	12,643		*4.4%*	15,485		*5.3%*
Current tax liabilities	1,234		*0.4%*	1,869		*0.6%*
Provisions for risks and charges	-			65		*0.0%*
Other liabilities	5,083		*1.8%*	5,531		*1.9%*
Other financial liabilities	7,972		*2.8%*	6,668		*2.3%*
Total current liabilities	**37,004**		***13.0%***	**39,657**		***13.5%***
TOTAL EQUITY AND LIABILITIES	**284,480**		***100.0%***	**294,069**		***100.0%***

cellularline

Financial position

(In thousands of Euro)	Balance as at	
	30 June 2021	**31 December 2020**
Available cash/(Financial liabilities):		
Cash	11	13
Bank deposits	17,243	8,616
Cash and cash equivalents	**17,254**	**8,629**
Current financial assets	352	108
Current bank loans and borrowings	(10,072)	(10,039)
Other financial liabilities	(7,972)	(6,668)
Current financial indebtedness	**(17,692)**	**(16,599)**
Net current financial indebtedness	**(438)**	**(7,970)**
Non-current bank loans and borrowings	(30,641)	(35,027)
Other financial liabilities	(7,076)	(5,961)
Non-current financial indebtedness	**(37,717)**	**(40,988)**
Net financial indebtedness	**(38,155)**	**(48,958)**
Other financial liabilities - warrants	1,410	653
Adjusted net financial indebtedness	**(36,745)**	**(48,305)**

The composition of the Group's net working capital and net invested capital at 30 June 2021 and 31 December 2020 is detailed below:

(In thousands of Euro)	Balance as at	
	30 June 2021	**31 December 2020**
Inventories	32,003	32,963
Trade receivables	36,679	52,704
Trade payables	(12,643)	(15,485)
Net trade working capital	**56,039**	**70,182**
Other working capital items	(1,855)	(1,156)
Net working capital	**54,184**	**69,025**
Non-current assets	193,730	193,358
Non-current provisions and other liabilities	(4,705)	(4,970)
Net invested capital	**243,209**	**257,413**
Net financial indebtedness	38,155	48,958
Equity	205,054	208,455
Total equity and financial liabilities	**243,209**	**257,413**

The Group's net trade working capital at 30 June 2021 was EUR 56,039 thousand. As compared with 31 December 2020, this item decreased by EUR 14,143 thousand as a result of the business seasonality and an efficient management of procurement, also in connection with the continued effects of the pandemic.

The Group's net invested capital is EUR 243,209 thousand at 30 June 2021 (EUR 257,413 thousand at 31 December 2020); the changes recorded during the period mainly depend on the changes recorded in net trade working capital.

Non-current assets are essentially stable but impacted by other effects:

(i) amortisation of intangible assets in relation to purchase price allocation, for approximately EUR 3.2 million; (ii) increase in goodwill by EUR 1.8 million following the acquisition of Coverlab; (iii) limitation of investments during the first half of 2021; and (iv) an increase in deferred tax assets (EUR 2,501 thousand).

Below is a reconciliation of the Net financial indebtedness (also adjusted) at 30 June 2021, of EUR 38,155 thousand, and at 31 December 2020, of EUR 48,956 thousand, according to the scheme envisaged by ESMA Guidance 32-382-1138 dated 4 March 2021 and indicated in the Consob Note 5/21 dated 29 April 2021:

	Balance as at		Changes	
(In thousands of Euro)	**30 June 2021**	**31 December 2020**	**Δ**	**%**
(A) Cash	17,254	8,629	8,625	100.0%
(B) Cash equivalents	-	-	-	-
(C) Other current financial assets	352	108	244	>100.0%
(D) Cash and cash equivalents (A)+(B)+(C)	**17,606**	**8,737**	**8,869**	**>100%**
(E) Current financial liabilities	7,972	6,668	1,304	19.6%
(F) Current portion of non-current indebtedness	10,072	10,039	33	0.3%
(G) Current financial indebtedness (E) + (F)	**18,044**	**16,707**	**1,337**	**8.0%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*18,044*	*16,707*	*1,337*	*8.0%*
(H) Net current financial indebtedness (G) - (D)	**438**	**7,970**	**(7,532)**	**-94.5%**
(I) Non-current financial indebtedness	37,717	40,988	(3,271)	-8.0%
(J) Debt instruments	-	-	-	-
(K) Trade payables and other current liabilities	-	-	-	-
(L) Non-current financial indebtedness (I)+(J)+(K)	**37,717**	**40,988**	**(3,271)**	**-8.0%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*37,717*	*40,988*	*(3,271)*	*-8.0%*
(M) NET FINANCIAL INDEBTEDNESS (H) + (L)	**38,155**	**48,958**	**(10,803)**	-22.1%
Other financial liabilities - warrants	(1,410)	(653)	(757)	>100.0%
Adjusted net financial indebtedness	**36,745**	**48,305**	**(11,560)**	**-23.9%**

Net financial indebtedness includes not only EUR 17,606 thousand in cash and cash equivalentes, mainly non-current bank loans and borrowings for the second tranche of the acquisition of 80% of Worldconnect, but also the liability for the put/call options (for the acquisition of the remaining 25% of the shares in Systema, the remaining 20% of Worldconnect and the remaining 45% of Coverlab), the financial liabilities relative to warrants and lease payables in application of IFRS 16.

The reduction in adjusted net financial indebtedness at 30 June 2021 as compared with 31 December 2020 is mainly due to efficient management of net trade working capital, which has successfully mitigated the negative effects of the period loss, bank loans and borrowings and the investments made during the period (including the acquisition of Coverlab S.r.l.).

The main factors that influenced the Group's cash flow trends in the period considered are summarised below (compared with the same period of last year).

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

(In thousands of Euro)	Half year ended	
	30 June 2021	**30 June 2020**
Cash flows from operating activities		
Loss for the period	(3,225)	(3,921)
Adjustments for:		
- Income taxes	(2,916)	(1,545)
- Net accruals and impairment losses	89	332
- Losses/(gains) on equity investments	(120)	(345)
- Accrued financial expense	1,344	595
- Amortisation, depreciation and impairment losses	5,673	4,943
- Other non-monetary changes	(232)	-
Changes in:		
- Inventories	1,018	(14,875)
- Trade receivables	15,947	25,099
- Trade payables	(2,844)	(9,150)
- Other changes in operating assets and liabilities	2,288	(167)
- Payment of employee benefits and change in provisions	-	(115)
Cash flows generated by/(used in) operating activities	**17,022**	**(852)**
Taxes paid/offset	(1,367)	(925)
Interest paid	(410)	(595)
Net cash flows generated by/(used in) operating activities	**15,245**	**(668)**
Net COVID-19 expense and other non-recurring expense	812	1,599
Financial income from warrants	-	(683)
Net cash flows generated by adjusted operating activities	**16,057**	**248**

Net cash flow generated by adjusted operating activities records an increase of EUR 15,809 thousand, mainly due to cash generation from working capital.

Cash flows generated by/(used in) investing activities

(In thousands of Euro)	Half year ended	
	30 June 2021	**30 June 2020**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired and other costs	(1,732)	-
(Purchases)/sale of property, plant and equipment and intangible assets	(2,002)	(1,561)
Cash flows generated by/(used in) investing activities	**(3,734)**	**(1,561)**

During H1 2021, investments mainly regarded not only the acquisition of Coverlab S.r.l.:

- investments in intangible assets of about EUR 1,079 thousand, mainly related to the evolution of the main company software and R&D on new products/brands;
- investments in plant, machinery and equipment of approximately EUR 384 thousand;
- right-of-use assets of approximately Euro 539 thousand following the recognition of IFRS 16.

Cash flows generated by/(used in) financing activities

(In thousands of Euro)	Half year ended	
	30 June 2021	**30 June 2020**
Cash flows from financing activities		
Increase/(decrease) in financial liabilities	(4,521)	(6,666)
Increase/(decrease) in other financial liabilities	1,416	(1,642)
(Dividend distribution)	-	(6,612)
Payment of transaction costs relating to financial liabilities	166	193
Other changes in equity	53	-
Net cash flows used in financing activities	**(2,885)**	**(14,728)**

The cash flows used in financing activities in the period ended 30 June 2021 mainly reflect:

- the payment of the instalment of the bank loan in place for EUR 5,000 thousand; as compared with the same period of the previous year, the re-financing agreement signed by the Parent in October 2020 (with Banco BPM S.p.A. and Intesa Sanpaolo S.p.A.) has allowed the Company to obtain an extension on the deadlines of financial debt with consequent greater financial flexibility;
- the increased liability for the put/call option in connection with the acquisition of Coverlab for EUR 1,700 thousand (recognised under Increase in other financial liabilities);
- the increase in financial liabilities of EUR 455 thousand relative to the COVID-19 loan received by the subsidiary Worldconnect AG.

8. Investments and research and development activities

During H1 2021 - as in previous years - the Group carried out constant research and development activities, focusing its efforts on selected projects deemed to be of particular importance:

- expansion of the BECOME range with new environmentally-friendly chargers and cables produced with biodegradable and compostable materials that allow a significant reduction of the plastic used.
- aesthetic and design innovation of the main product lines;
- technological process innovation in the main business areas, including supply chain, information technology and e-commerce, the in-house developed project of which will be operating by the end of 2021.

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 Interim Consolidated Financial Statements.

10. Atypical and/or unusual transactions

During H1 2021, there were no atypical and/or unusual transactions, as defined in CONSOB Communication no. DEM/6064293 of 28 July 2006.

11. Share-based payments

Information on share-based payment plans is presented in Note 4.13 to the Condensed Interim Consolidated Financial Statements.

12. Treasury shares and shares of the parent

No purchases or sales of treasury shares took place during H1 2021, leaving the number of shares held at the end of the previous year unchanged. Therefore, as at 30 June 2021, the Parent held 1,636,505 treasury shares, equal to 7.48% of the share capital.

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

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

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

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

In this context, the Parent 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 macroeconomic developments and risks related to the effects of COVID-19

As it operates in several international markets, the Group is affected by changes in the macroeconomic conditions of the markets concerned and, in particular, by the COVID-19 health emergency.

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

The restrictions implemented by the different government authorities to contain the spread of COVID-19 led to a sharp decrease in consumption (especially for physical retailers), significantly impacting the Group's performance and financial indicators.

It is not yet possible to predict the duration of the pandemic, the restrictive measures aimed at containing its further spread and the timing and effectiveness of the vaccination plans being implemented in the various countries and, therefore, it is not possible to predict any further negative effects that the continuation of the pandemic will have on global and domestic economic activities and on the Group's business. In particular, if there were to be subsequent waves of COVID-19 infections, the national authorities could reinstate all or part of the above restrictive measures, with further negative effects on global and domestic economic activities and on the Group's business. In addition, it cannot be excluded that, in the event of a deterioration of global macroeconomic conditions, such as a prolonged recession in Europe and the United States or worldwide, such as that possibly caused by COVID-19, the Group could be adversely affected by a deterioration of its financial position and performance.

In the event of new and significant waves of the COVID-19 pandemic and the subsequent enactment of any particularly restrictive measures implemented at the same time by multiple governments to contain the virus, the Group could suffer potentially negative impacts on the:

- supply chain, as the main suppliers may no longer be able to deliver the products, except with lengthy delays;
- operating activities, as the Group may not be able to have the workforce as a result of any government regulations restricting personal travel or the company's inability to provide a healthy and safe working environment;
- distribution activities, as the main physical distribution channels could also be affected by particularly restrictive measures.

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

13.2 Risks related to competition and competitiveness

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

If the Group, in the event of an increase in the number of direct and/or indirect competitors, is not able to maintain its competitive strength on the market, there could be negative effects on its business and growth prospects as well as on its financial position and performance. Further risks are linked to possible changes in consumer purchasing behaviour in the light of demographic changes, increasing digitalisation, changing economic conditions and purchasing power. Any misinterpretation of developments in consumer behaviour, trends in terms of prices and product ranges may result in the risk of failed or delayed adoption of appropriate sales models and in the failed or delayed exploration of new sales channels, with possible negative effects on the Group's financial position and performance.

13.3 Seasonal risks

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

Also note that the first half revenue continues to suffer the prolongation of the restrictions imposed to fight the spread of COVID-19. Refer to paragraph 13.1 for more information.

13.4 Regulatory risks

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

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

The Group operates in international markets, with customers operating mainly in the EMEA area and with suppliers of products located mainly in the Far East (China and the Philippines); as of today, sales are therefore made almost exclusively in Euro, while the majority of purchases of products are settled in US dollars, as is the practice of this industry.

The Group is therefore exposed to exchange rate risk - for the main types of product supplies - almost exclusively in the US dollar. However, there are numerous factors that limit its risk profile, including: *i)* the high rate of

product innovation (about 35% of annual turnover derives from products launched in the year), *ii)* the possibility to carry out, in a relatively short time (3-6 months), revisions to customer price lists and, lastly, *iii)* the high contractual flexibility with suppliers in the Far East (with no commitments to purchase minimum quantities at predefined prices for periods exceeding 6 months - with rare exceptions).

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

Currency	Average H1 2021	30 June 2021	Average H1 2020	31 December 2020
US Dollar/Euro	1.21	1.19	1.12	1.23

In 2021, the Group used derivative financial instruments to hedge fluctuations in the EUR/USD exchange rate.

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

13.6 Liquidity risk

From an operational point of view, the Group controls liquidity risk through the annual planning of expected cash flows and payments. Based on the results of such planning, it identifies financial requirements and the financial resources to cover them. The average debt exposure is shown below:

(In thousands of Euro)	within 12 months	1 - 5 years	after 5 years
Employee benefits	-	685	-
Trade payables	12,643	-	-
Deferred tax liabilities	-	2,282	-
Financial liabilities	10,072	30,641	-
Non-current provisions for risks and charges	-	1,738	-
Other liabilities	5,083	-	-
Other financial liabilities	7,972	6,979	97
Current tax liabilities	1,234	-	-
Total	**37,004**	**42,325**	**97**

In order to prevent unforeseen cash outflows from becoming critical, the Group aims to keep a balance between maintaining the funding and flexibility, through the use of available liquidity and credit lines.

With regard to potential liquidity risks, the Group continues to show a solid equity and financial structure, considering the limited leverage ratio (2.47x), the current cash and cash equivalents (EUR 17,254 thousand), the committed credit facility for M&As involved in the medium/long-term loan contract in place (EUR 20.0 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 long-standing and newly acquired customers, strengthening the policies of preventive action, by acquiring more complete credit information (from different sources) for all major and/or new customers and by progressively increasing the systematic way in which credit report analyses are conducted, including the assessment of the customer portfolio and the definition of credit limits.

The ageing list of trade receivables at 30 June 2021 is shown below:

(In thousands of Euro)	**Not yet due**	**Due within 6 months**	**Due in 6 to 12 months**	**Due after 12 months**
Trade receivables (gross of the loss allowance)	22,339	5,495	293	6,027
Amounts due from associates	1,356	3,447	1,176	-
Total gross trade receivables	**23,695**	**8,942**	**1,469**	**6,027**
(Loss allowance)	-	-	-	(3,454)
Total net trade receivables	**23,695**	**8,942**	**1,469**	**2,573**

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

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

13.8 Interest rate risks

In relation to the risk of changes in interest rates, the Group has not yet entered into interest rate swaps to hedge the interest-rate risk on the syndicated loan, signed on 26 October 2020 for an original amount of EUR 50 million (reduced to EUR 40.0 million as at 30 June 2021), given also the current limited level of net indebtedness; consequently, interest rates fluctuations could lead to an increase in financial expense on the loan, which is currently exclusively at a variable rate.

With reference to the interest rate risk, a sensitivity analysis was carried out to determine the effect on the

consolidated income statement (before the tax effect) that would result from a hypothetical negative change of 100 basis points in the interest rate compared to that actually recorded in the period. The following table shows the results of the analysis.

	1% rate increase	
(In thousands of Euro)	**30 June 2021**	**30 June 2020**
Financial liabilities	(284)	(326)

A decrease of 100 basis points in interest rates would not have a positive effect on the Group's income statement since the Euribor cannot be negative according to the terms of the loan (floor at 0.0%).

13.9 Risks related to the administrative liability of legal persons

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

13.10 Management and coordination

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

14. Branches

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

15. Workforce

There have been no specific incidents to be mentioned in this report, such as deaths, serious accidents at work or occupational diseases for which the Group has been held liable.

The work is carried out in full compliance with the rules and regulations in force regarding safety in the workplace. Furthermore, the Group routinely carries out training activities for its employees, in the belief that the professional and job growth of each individual is a prerequisite for the continuous improvement and enhancement of the activities carried out.

The number of employees at the end of the period was 252 (243 as at 31 December 2020).

16. Significant events during and after the reporting period

In addition to that mentioned above, the following events took place in the year:

- **Appointment of the Chief Corporate & Financial Officer and Manager responsible for preparing the financial information** (February): the Board of Directors appointed Davide Danieli - effective 21 April 2021 - as Chief Corporate & Financial Officer and Manager responsible for preparing the financial information pursuant to article 154-bis of Italian Legislative Decree no. 58/1998, with the approval of the Board of Statutory Auditors, as he meets the requirements in the articles of association to hold this office. In addition to having earned a degree in Economics from the University of Turin in 2000 and completed the Executive MBA program at Altis - Università Cattolica of Milan, Mr Danieli has, in his 20-year career, gained vast experience in AFC, Tax and HR and personally contributed to the transformation and digitalisation of business processes, M&As, post-merger integrations and the optimisation of business performance to maximise value for shareholders.
- **Shareholders' meeting** (April):
    - approval of the Financial Statements as at and for the year ended 31 December 2020 and allocation of the Profit for the year to reserves on the basis of the provisions of the Articles of Association and Article 2430 of the Italian Civil Code, taking into account the exceptional emergency situation generated in 2020 by the COVID-19, the current context of socio-economic uncertainty and the difficult assessment of the effects that this continuing situation may still have on the economy;
    - approval of the "*2021-2023 Cellularline Group Incentive Plan*" (the "Long Term Incentive Plan") for the Parent's and the Group's executive directors, key managers and other key resources, with the aim of creating incentives to develop a culture among senior management highly oriented towards creating value and continuously improving business results and the Parent's equity performance;
    - approval of the increase in the number of members of the Board of Directors from 10 to 11 and appointment of a new member of the Board of Directors.
- **Launch of new Eco-friendly accessories** (April): expansion of the BECOME range with new environmentally-friendly chargers and cables produced with biodegradable and compostable materials that allow a significant reduction of the plastic used.
- **Conversion of special shares** (June): 4 June 2021 was the deadline set by Art. 5.6 of the Parent's Articles of Association for the automatic conversion of the 195,000 remaining Special Shares into Ordinary Shares; said shares have therefore been converted at the ratio of 1 Ordinary Share to each Special Share held, into a total of 195,000 new-issue Ordinary Cellularline Shares, with no change to the amount of share capital.

  The Ordinary Shares resulting from the conversion of the Special Shares have been assigned to those entitled with effect from 9 June 2021. Upon completion of the conversion, the Parent's new share capital consists of 21,868,189 ordinary shares with no nominal value.
- **Acquisition of Nicotina S.r.l.** (June): 55% of the share capital of Nicotina S.r.l. (later renamed "Coverlab") was acquired. This is an innovative e-commerce company and one of Italy's leaders in the custom smartphone accessories segment.

  Founded in 2018 and based in Rimini (Italy), Coverlab - through its proprietary website www.shopcoverlab.com - markets custom smartphone accessories, highly customisable through applications

developed in-house using proprietary software that make online purchasing and the customer experience particularly effective and efficient.

With this transaction Cellularline will be able to leverage the innovative know-how of Coverlab and implement advanced strategies for the promotion and sale of its products also through digital channels. Furthermore, by opening up to the custom segment of smartphone accessories, it will be able to meet the sophisticated needs of a premium niche market and intercept the demand of the new generations.

Significant events after the half-year closing

No significant events are reported after 30 June 2021, apart from the July 2021 payment made by Cellularline S.p.A. of the deferred price (CHF 5.8 million) on the purchase of 80% of Worldconnect AG, as envisaged at the transaction closing date.

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

18. Outlook

Despite the complex social-economic context so negatively impacted by the continued Covid-19 pandemic, the management has succeeded in completing numerous projects underlying the Group's future growth plans and is to date fully focused on:

- developments in the core business, such as product innovation/expansion and new commercial and trade marketing initiatives;
- strengthening the Group's brands on the international markets and, in particular, on the German and Austrian market;
- the continuous integration of the subsidiaries;
- the ESG project, as an integral part of the Group's long-term strategy;
- implementation of the new business model for the eE-commerce channel as part of an in-house project scheduled to operate by end 2021;
- scouting for further potential M&As.

Assuming that there are no further restrictions over and above those currently in place, in light of the initiatives taken by the Group, the capacity shown by the management in reacting promptly to the new scenario and the

confidence in the fundamentals of its business, the Group expects to see a partial recovery of revenue and profitability during the second part of the year, as compared with last year.

Reggio Emilia, 13 September 2021

The Chairman of the Board of Directors

Antonio Luigi Tazartes

cellularline

[CELLULARLINEGROUP]

www.cellularlinegroup.com

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2021

cellularline

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of Euro)	Notes	30/06/2021	Of which Related parties	31/12/2020	Of which related parties
ASSETS					
Non-current assets					
Intangible assets	**4.1**	71,272		74,940	
Goodwill	**4.2**	108,033		106,408	
Property, plant and equipment	**4.3**	7,672		7,924	
Equity investments in associates and other companies		56		-	
Right-of-use assets	**4.4**	1,868		1,749	
Deferred tax assets	**4.5**	4,283		1,782	
Financial assets	**4.6**	546	546	555	555
Total non-current assets		**193,730**		**193,358**	
Current assets					
Inventories	**4.7**	32,003		32,963	
Trade receivables	**4.8**	36,679	4,765	52,704	5,244
Current tax assets	**4.9**	1,278		1,528	
Financial assets	**4.10**	352		108	
Other assets	**4.11**	3,184		4,780	
Cash and cash equivalents	**4.12**	17,254		8,629	
Total current assets		**90,750**		**100,711**	
TOTAL ASSETS		**284,480**		**294,069**	
EQUITY AND LIABILITIES					
Equity					
Share capital		21,343		21,343	
Other reserves		158,255		157,761	
Retained earnings		28,681		15,451	
Profit (loss) for the period/year attributable to the owners of the parent		(3,225)		13,900	
Equity attributable to the owners of the parent	**4.13**	**205,054**		**208,455**	
Equity attributable to non-controlling interests					
TOTAL EQUITY		**205,054**		**208,455**	
LIABILITIES					
Non-current liabilities					
Financial liabilities	**4.14**	30,641		35,027	
Deferred tax liabilities	**4.5**	2,282		2,552	
Employee benefits	**4.15**	685		720	
Provisions for risks and charges	**4.16**	1,738		1,697	
Other financial liabilities	**4.14**	7,076		5,961	
Total non-current liabilities		**42,422**		**45,957**	
Current liabilities					
Financial liabilities	**4.14**	10,072		10,039	
Trade payables	**4.17**	12,643		15,485	
Current tax liabilities	**4.18**	1,234		1,869	
Provisions for risks and charges	**4.16**	-		65	
Other liabilities	**4.19**	5,083		5,531	
Other financial liabilities	**4.14**	7,972		6,668	
Total current liabilities		**37,004**		**39,657**	
TOTAL LIABILITIES		**79,426**		**85,614**	
TOTAL EQUITY AND LIABILITIES		**284,480**		**294,069**	

cellularline

CONSOLIDATED INCOME STATEMENT

(In thousands of Euro)	Notes	Half year ended 30/06/2021	Of which related parties	Half year ended 30/06/2020	Of which related parties
Revenue from sales	**4.20**	39,707	1,554	36,621	1,571
Cost of sales	**4.21**	(23,753)	-	(22,708)	-
Gross operating profit		**15,954**	**-**	**13,913**	**-**
Sales and distribution costs	**4.22**	(11,375)	-	(9,913)	-
General and administrative costs	**4.23**	(11,470)	(5)	(10,465)	(12)
Other non-operating (expense)/revenue	**4.24**	1,979	-	363	(27)
Operating profit/(loss)		**(4,912)**	**-**	**(6,102)**	**-**
Financial income	**4.25**	244	-	908	-
Financial expense	**4.25**	(1,587)	-	(821)	-
Foreign exchange gains/(losses)	**4.26**	(6)	-	203	-
Gains/(losses) on equity investments		120	-	345	-
Profit/(loss) before taxes		**(6,141)**	**-**	**(5,466)**	**-**
Current and deferred taxes	**4.27**	2,916	-	1,545	-
Profit /(loss) for the period before non-controlling interests		**(3,225)**	**-**	**(3,921)**	**-**
Profit/(loss) for the period attributable to non-controlling interests		-	-	-	-
Profit/(loss) for the period attributable to the owners of the parent		**(3,225)**	**-**	**(3,921)**	**-**
Basic earnings per share (Euro per share)	**4.28**	**(0.16)**		**(0.20)**	
Diluted earnings per share (Euro per share)	**4.28**	**(0.16)**		**(0.20)**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of Euro)	Half year ended 30/06/2021	Half year ended 30/06/2020
Profit (loss) for the period attributable to the owners of the parent	**(3,225)**	**(3,921)**
Other comprehensive income that will not be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plans	64	2
Actuarial gains (losses) on provisions for risks	10	(5)
Gains/(losses) on translation of foreign operations	(237)	2
Income taxes	(21)	1
Other comprehensive expense for the period	(183)	(0)
Comprehensive expense for the period	**(3,408)**	**(3,921)**

cellularline

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of Euro)	Notes	Half year ended 30/06/2021	Half year ended 30/06/2020
Profit/(loss) for the period		(3,225)	(3,921)
Amortisation, depreciation and impairment losses		5,673	4,943
Net impairment losses and accruals		89	332
(Gains)/losses on equity investments		(120)	(345)
Accrued financial (income)/expense		1,344	595
Current and deferred taxes		(2,916)	(1,545)
Other non-monetary changes		(232)	-
		613	**60**
(Increase)/decrease in inventories		1,018	(14,875)
(Increase)/decrease in trade receivables		15,947	25,099
Increase/(decrease) in trade payables		(2,844)	(9,150)
Increase/(decrease) in other assets and liabilities		2,288	(167)
Payment of employee benefits		-	(115)
Cash flows generated by operating activities		**17,022**	**852**
Interest paid		(410)	(595)
Income taxes paid/set off		(1,367)	(925)
Net cash flows generated by (used in) operating activities		**15,245**	**(668)**
Acquisition of subsidiary, net of cash acquired		(1,732)	-
(Purchase)/sale of property, plant and equipment and intangible assets		(2,002)	(1,561)
Net cash flows used in investing activities		**(3,734)**	**(1,561)**
Net (purchase)/sale of treasury shares		-	-
(Dividends distributed)		-	(6,612)
Other financial assets and liabilities		1,416	(1,642)
Other changes in equity		53	-
Increase/(decrease) in bank loans and borrowings and loans and borrowings from other financial backers		(4,521)	(6,666)
Payment of transaction costs relating to financial liabilities		167	193
Net cash flows used in financing activities		**(2,885)**	**(14,728)**
Increase/(decrease) in cash and cash equivalents		**8,625**	**(16,957)**
Opening cash and cash equivalents	**4.12**	**8,629**	**32,089**
Closing cash and cash equivalents	**4.12**	**17,254**	**15,132**

cellularline

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Euro)	Notes	Share Capital	Other reserves	Retained earnings/ (losses carried forward)	Profit/loss for the year/period	Non-controlling interests	Total Equity
Balance as at 31 December 2019		**21,343**	**156,076**	**6,891**	**18,209**	-	**202,518**
Allocation of prior year profit		-	1,821	16,389	(18,209)	-	-
Dividend distribution		-	-	(6,612)	-	-	(6,612)
Comprehensive income		-	(29)	-	-	-	(29)
Other changes		-	(106)	(1,217)	-	-	(1,323)
Profit (loss) for the year		-	-	-	13,900	-	13,900
Balance as at 31 December 2020		**21,343**	**157,761**	**15,451**	**13,900**	-	**208,455**
Allocation of prior year profit		-	670	13,230	(13,900)	-	-
Dividend distribution		-	-	-	-	-	-
Comprehensive income		-	(183)	-	-	-	(183)
Other changes		-	7	-	-	-	7
Profit (loss) for the year		-	-	-	(3,225)	-	(3,225)
Balance as at 30 June 2021	**4.13**	**21,343**	**158,255**	**28,681**	**(3,225)**	-	**205,054**

cellularline

[CELLULARLINEGROUP]

www.cellularlinegroup.com

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 the Netherlands, and boasts a strong competitive position in the other European countries.

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

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

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

The interim consolidated financial statements are submitted for approval by the Board of Directors' meeting convened for 13 September 2021, in line with the financial calendar approved by the Board of Directors on 11 November 2020.

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

As it operates in several international markets, the Group is affected by changes in the macroeconomic conditions of the markets concerned and, in particular, by the COVID-19 health emergency.

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

The restrictions implemented by the different government authorities to contain the spread of COVID-19 led to a sharp decrease in consumption (especially for physical retailers), significantly impacting the Group's performance and financial indicators.

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

In economic terms, in addition to the aforementioned drop in sales volumes, the pandemic event resulted in (i) extraordinary costs amounting to EUR 1,400 thousand following the withdrawal of unsold goods from customers and increased obsolescence due to the lack of sales recorded; (ii) costs incurred by the Group for the purchase of materials and compliance with regulations amounting to EUR 24 thousand. These negative effects were offset by: (i) lower commercial costs due to the cancellation of trade fairs and events and the temporary reduction of marketing costs; (ii) lower personnel costs due to use of social shock absorbers for some Group companies both in Italy and abroad; and (iii) the Härtefall contribution for EUR 1,502 thousand.

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

2. Basis of preparation and main accounting policies

The basis of preparation and main accounting policies adopted in the preparation of the Condensed Interim Consolidated Financial Statements as at and for the six-months ended 30 June 2021 (the "Condensed Interim Consolidated Financial Statements") are described below. They have been applied consistently for all the periods presented in this document, taking into account the provisions of note 2.5.1 "Changes in accounting policies and new accounting standards".

2.1 Basis of preparation

These Condensed Interim 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 at 31 December 2020 ("the latest financial statements"). Although they do not include all the information required for full disclosure in 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 Basis of presentation

The Condensed Interim Consolidated Financial Statements were prepared on the assumption that the Group will continue as a 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.

The Condensed Interim 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 Interim Consolidated Financial Statements consist of the following statements and these notes:

A) **Statement of financial position:** it presents current assets and non-current assets and current liabilities and non-current liabilities separately, with a description in the notes, for each asset and liability item, of the amounts that are expected to be settled or recovered within or after 12 months from the reporting date.

B) **Income statement:** in which the classification of costs is based on their function, showing the gross operating profit/(loss), the net operating profit/(loss) and the profit/(loss) before taxes.

C) **Statement of comprehensive income:** which includes the profit/(loss) for the period and the income and expense recognised directly in equity for transactions other than those carried out with the owners.

D) **Statement of cash flows:** which shows cash flows from operating, investing and financing activities. Cash flows from operating activities are represented using the indirect method, through which the profit/(loss)

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

E) **Statement of changes in equity:** which includes, in addition to the comprehensive income, owner transactions and the details of each item. Where applicable, it also includes the effects of changes in accounting policies for each item of equity.

F) **Notes to the condensed interim consolidated financial statements.**

The Condensed Interim Consolidated Financial Statements are presented with comparative figures.
These Condensed Interim Consolidated Financial Statements were authorised for publication by the Board of Directors on 13 September 2021.

2.3 Basis of consolidation and scope of consolidation

Basis of consolidation

The condensed interim consolidated financial statements include the interim financial statements or accounting statements of the consolidated subsidiaries at 30 June 2021. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor has power over an investee entity when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect that investee's returns.
The results of subsidiaries acquired, including through mergers, or sold during the period are included in the income statement from the effective date of acquisition until the effective date of disposal.
When necessary, adjustments were made to the financial statements of subsidiaries to align the accounting policies used with those adopted by the Group and in compliance with IFRS.
All transactions between Group companies and the related balances are derecognised on consolidation.
Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the equity attributable to the owners of the parent. This interest is determined on the basis of the percentage held in the fair values of the assets and liabilities recognised as at the date of the original acquisition and in the changes in equity after that date. Subsequently, the losses attributable to non-controlling interests in excess of their equity are allocated to equity attributable to the owners of the parent, with the exception of cases in which the non-controlling investors have a binding obligation and are able to provide additional investments to cover losses.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is determined by the aggregate acquisition-date fair values of the assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree.
The identifiable assets, liabilities and contingent liabilities of the acquiree that meet the conditions for recognition in accordance with IFRS 3 are recognised at their acquisition-date fair values, with the exception of non-current

assets (or disposal groups), which are classified as held for sale in accordance with IFRS 5. These are recognised and measured at their fair values less costs to sell.

Goodwill arising from the acquisition of control of an investee or a business unit reflects the excess of the acquisition cost (defined as the aggregate considerations transferred in the business combination), plus the fair value of any previously held interests in the acquiree, over the acquisition-date fair values of the acquiree's identifiable assets, liabilities and contingent liabilities.

In an acquisition that does not entail control, goodwill can be determined at the acquisition date either in proportion to the percentage of control acquired or by measuring the fair value of non- controlling interests.

The choice of the valuation method can be made on a case-by-case basis for each transaction.

Any adjustments to goodwill may be recognised in the measurement period (which may not exceed one year from the acquisition date) as a result of subsequent changes in the fair value of payments subject to conditions or in the determination of the fair values of the acquired assets and assumed liabilities, if goodwill could only be determined provisionally at the acquisition date and if such changes are determined to reflect new information about facts and circumstances existing at the combination date. In the event of the sale of interests in subsidiaries, the residual amount of goodwill attributable to them is included in the determination of the gain or loss on the sale.

In June 2021, the Parent completed the acquisition of 55% of Coverlab S.r.l., a company operating on the e-commerce channel, through a proprietary website, in the custom segment of Coverlab-branded smartphone accessories. The acquisition of this company has been accounted for using the full goodwill method.

Scope of consolidation

The Condensed Interim Consolidated Financial Statements at 30 June 2021 include the statement of financial position and income statement figures of Cellularline S.p.A. (Parent) and the operating companies in which the Parent directly or indirectly owns an interest of more than 50%, or has control thereof according to the definition in IFRS 10.

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

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

Pegaso S.r.l., Systema S.r.l., Worldconnect AG and Coverlab S.r.l. are consolidated 100% by virtue of the put/call contracts signed by the parent, which regulate the acquisition of the remaining shares in the subsidiaries. Coverlab S.r.l. has been consolidated since 30 June 2021.

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

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

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

In preparing the Condensed Interim Consolidated Financial Statements, management has had to make judgements, estimates and assumptions that influence the application of the accounting policies and the amounts of assets, liabilities, costs and revenue recognised.

Estimates and assumptions are based on information known at the preparation date, management's experience and any other elements considered relevant. Actual amounts may differ from these estimates.

Significant subjective judgements by management in applying the Group's accounting policies and the main sources of uncertainty in estimates were the same as those applied for the preparation of the consolidated financial statements at 31 December 2020.

Impairment testing of goodwill, trademarks and customer list

As explained in detail in the Director's Report, the first half of 2021 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-year report as at and for the year ended 30 June 2021 Management identified indications of impairment in accordance with IAS 36, which required the performance of an impairment test at the reporting date, also in accordance with the guidelines of the Authorities.

In particular, these tests were carried out as an integration of the normal estimates made, as part of the draw-up process, with specific analyses, supported by the opinion of independent advisors, aimed at testing the recoverability of the carrying amounts recognised in the financial statements of the following items:

- Goodwill;
- the brands Cellularline and Interphone;
- Cellularline customer relationship.

These specific indications also accompanied, integrated and conditioned the procedures and results of the "normal" checks carried out to assess the appropriateness of the financial statements figures relating to other items such as inventories, trade receivables, provisions and contingent liabilities. The estimates and assumptions used as part of this analysis reflect the current state of knowledge about business developments in the various geographical segments 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 the Financial Projections 2021-2024 on 13 September 2021 in order to determine cash flow forecasts for half-yearly impairment testing. These Financial Projections, which are used for impairment

testing only, have been prepared using the provisional data of the 2021-2024 Business Plan - already used for impairment testing at 31 December 2020 - adjusted, where necessary, to take into account: (i) adjustments for prudence to reflect the continuing effects of COVID-19 in 2021 and during the subsequent years of the plan; and (ii) the June 2021 acquisition of Coverlab.

In line with previous years, the Group used an independent advisor to measure this item.

Although the Group's current estimates do not show indications 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 Financial Projections 2021-2024, which could therefore give rise to further adjustments to the carrying amount of certain current and non-current assets in the future.

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.

Fair value measurement

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

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

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

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

2.5 Main accounting policies

The main accounting policies adopted to prepare the Condensed Interim Consolidated Financial Statements are compliant with those used to prepare the Cellularline Group Consolidated Financial Statements at 31 December 2020, with the exception of the adoption of new standards, amendments and interpretations, approved by the IASB and endorsed for adoption in Europe. Their adoption is mandatory for accounting periods starting on or after 1 January 2021 and they arelisted in the paragraph 2.5.1 below.

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

Monetary items in foreign currency at the reporting date are translated into the functional currency using the exchange rate at that date. Non-monetary items that are measured at fair value in a foreign currency are translated

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

The exchange rates used to translate the financial statements of Cellular Immobiliare Helvetica SA and Worldconnect AG as at 30 June 2021 into Euro were as follows:

Currency	2021 average	30 June 2021
CHF/EUR exchange rate	1.09	1.09

2.5.1 Changes in accounting policies and new accounting standards

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

- On 18 May 2017, the IASB published the new standard IFRS 17 Insurance Contracts, which replaces IFRS 4 Insurance Contracts. The new standard on insurance contracts aims to increase transparency on the sources of finance and the quality of profits made and to ensure a high level of comparability of results by introducing a single revenue recognition principle that reflects the services provided. Regulation (EU) 2020/2097 of the Commission of 15 December 2020, amending Regulation (EC) No. 1126/2008 extending the deadline of the temporary extension of the application of IFRS 9 through to 2023, was published in the Official Journal of the European Union no. L 425 on 16 December 2020.
- On 14 January 2021, Regulation (EU) 2021/25 of the Commission of 13 January 2021 was published, amending Regulation (EC) No. 1126/2008, which implemented, at a European level, the changes adopted on 27 August 2020 by the International Accounting Standards Board for the "Interest rate benchmark reform - phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16" to address the financial reporting consequences of the actual replacement of existing interest rate benchmarks with alternative reference rates.. These amendments provide for a specific accounting treatment to spread value changes of financial instruments or lease contracts due to the replacement of the interest rate benchmark over time, which prevents a sudden impact on profit or loss and prevent unnecessary discontinuations of hedging relationships as a consequence of the replacement of the interest rate benchmark.

  As at the date of approval of this Half-Year 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:

Document title	Issue date by the IASB	Date of entry into force of the IASB document	Expected endorsement date by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016	Endorsement process suspended pending the new accounting standard on rate-regulated activities.
IFRS 17 Insurance Contracts, including subsequent amendments issued in June 2020	May 2017 June 2020	1 January 2023	TBD
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of the IASB project on the equity method	Endorsement process suspended pending conclusion of the IASB project on the equity method
Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	1 January 2022	TBD
Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)	May 2020	1 January 2022	TBD
Onerous contracts—Cost of fulfilling a contract (Amendments to IAS 37)	May 2020	1 January 2022	TBD
Annual improvements to IFRS Standards (Cycle 2018–2020)	May 2020	1 January 2022	TBD
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020	January 2020 July 2020	1 January 2023	TBD

With the exception of the above, this Half-Year Report has been prepared using the same accounting standards applied by the Company for the preparation of the Separate Financial Statements as at and for the year ended 31 December 2020.

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.

Also note that the first half revenue continues to suffer the effects of the restrictions implemented by the authorities following the spread of COVID-19.

The trend in revenue 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 results and financial position 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. Segment reporting

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

The Groupoperates through one operating segment, which can be divided into three main product lines:

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

4. Notes to the individual financial statements captions

4.1 Intangible assets

The balance of intangible assets, broken down by category as at 30 June 2021 and 31 December 2020, is shown below:

(In thousands of Euro)	31 December 2020	Increases	Acquisitions	(Amortisation)	Exchange difference	30 June 2021
Development costs	1,100	541	-	(573)	(5)	1,063
Industrial patents and intellectual property rights	5,030	493	40	(780)	(54)	4,729
Concessions, licenses, trademarks and similar rights	20,381	5	10	(740)	(46)	19,610
Customer relationships	48,379	-	-	(2,549)	(50)	45,780
Assets under development and payments on account	49	40	-	-	-	89
Other	1	-	-	-	-	1
Total intangible assets	**74,940**	**1,079**	**50**	**(4,642)**	**(155)**	**71,272**

With reference to the six-months ended 30 June 2021, it should be noted that the Group has made investments for EUR 1,079 thousand.

In particular, investments are mainly attributable to:

- industrial patents and intellectual property rights, amounting to EUR 493 thousand: this item mainly includes software, i.e. the costs incurred for the implementation and development of the main management programme and other specific applications, which are normally amortised over three years. The investments are mainly related to updates to the SAP management software and further

innovations/IT projects, aimed at having increasingly effective and efficient information tools to support the Group's organisational structure;

- development costs of EUR 541 thousand; this item mainly includes the costs incurred for investments in specific product innovation projects. These costs are considered to generate long-term benefits, as they relate to projects under development, whose products are clearly identified, are intended for a market with sufficient profit margins to cover the amortisation of capitalised costs, which is normally two years.

4.1.1 Impairment test of trademarks

As at 30 June 2021, the trademarks with a finite useful life recognised in the consolidated financial statements amounted to EUR 19,610 thousand, net of accumulated amortisation.

As already described, the Group tested the Cellularline (valued at EUR 16,101 thousand) and Interphone (valued at EUR 562 thousand) trademarks, both of which are assets with finite useful lives and accounted for net of accumulated amortisation, for impairment.

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

Their recoverable amounts are based on their value in use, which, for trademarks with finite useful lives, is determined using the relief from royalty method, deriving from expected revenue over an explicit period of time and terminal value. The estimate of the net cash flows from royalties, based on the Financial Projections 2021-2024, was used for impairment testing.

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

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

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

As required by the applicable standard (IAS 36), in order to assess any impairment of trademarks recorded in the financial statements as at 30 June 2021, the Directors carried out a specific impairment test, with the support of an independent advisor.

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

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

The tests carried out led to an estimate of the recoverable amount of approximately Euro 25.1 million for the Cellularline brand and approximately Euro 1.6 million for the Interphone brand; these amounts are higher than the carrying amount at the reporting date, meaning there are no impairment losses.

In addition, sensitivity analyses were carried out that simultaneously consider a change in revenue and the royalty

rate, in order to verify the impact of changes in these parameters on fair value and, consequently, on the difference between the latter and the carrying amounts of both trademarks (Cellularline and Interphone) tested.
The sensitivity analyses show that potential impairment losses would only arise if all the variables considered collectively worsened.
The trademarks of the newly acquired Worldconnect were recently measured as part of the purchase price allocation.

4.1.2 Impairment test of Customer Relationship

As at 30 June 2021, the customer relationship with a finite useful life pertaining to the Group recognised in the consolidated financial statements amounted to EUR 45,780 thousand, net of accumulated amortisation and impairment losses, of which EUR 41,533 thousand refer to Cellularline.
As already described, the Group tested customer relationships of Cellularline recognised as assets with finite useful lives for impairment.
The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use (discounting the asset's estimated future cash flows, given the specific risks of the asset).
Their recoverable amounts are based on the value in use, determined using the Multi Period Excess Earnings Method (MEEM), based on the assumption that the income generated by an asset identified as the dominant strategic asset can be determined as the difference between comprehensive income and normal remuneration of all other assets.
The estimate of the net cash flows was based on the estimates of the Financial Projections 2021-2024, which was used for the impairment test.
The fair value of the dominant asset is measured by discounting the estimated future cash flows of the asset's residual life.
Impairment testing is characterised by a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:

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

In accordance with IAS 36, in order to test the customer relationship recognised in the interim financial statements as at and for the six months ended 30 June 2021 for impairment, the Directors carried out a specific impairment test, also through the assistance of an independent advisor.
The result of the impairment test confirmed that the carrying amount of the Customer Relationship is fully recoverable. The fair values of assets tested are higher than their carrying amounts at the reporting date, meaning there are no impairment losses.
The analyses carried out have led to an estimate of the recoverable amount, of about EUR 43.2 million; this amount is higher than the carrying amount at the reporting date, meaning that there are no impairment losses.

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

- (i) revenue, the abandonment rate and (ii) the EBIT margin and the abandonment rate, in order to assess 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 assess 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 impairment losses in the event of a joint deterioration of all the variables considered.

The Customer Relationship of the newly acquired Worldconnect was recently measured as part of the Purchase Price Allocation.

4.2 Goodwill

The details of goodwill as at 30 June 2021 and 31 December 2020 are shown below:

(In thousands of Euro)	**Balance as at**	
	30 June 2021	**31 December 2020**
Goodwill	108,033	106,408
Total goodwill	**108,033**	**106,408**

The changes in Goodwill between 31 December 2020 and 30 June 2021 are shown below:

(In thousands of Euro)	**Goodwill**
Balance at 31 December 2020	**106,408**
Acquisitions	1,809
Increases	-
Exchange difference	(184)
(Impairment losses)	-
Balance at 30 June 2021	**108,033**

The value of goodwill as at 30 June 2021, equal to EUR 108,033 thousand, increased compared to 31 December 2020, mainly following the acquisition of Coverlab.

IFRS 3

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

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

In accordance with the investment agreement, Cellularline and the non-controlling investors of Coverlab S.r.l. will have the power to exercise, in multiple tranches, their respective put & call options over the remaining non-controlling interest, respectively equal to 15% (up until the approval of the financial statements for the year ending

31 December 2024) and 30% (up until the approval of the financial statements for the year ending 31 December 2026), of the share capital of Coverlab.

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

As required by IFRS 3, the difference between the price paid and the provisional fair value (corresponding to the carrying amount) of the net assets acquired was preliminarily attributed for Euro 1,809 thousand with starter.

Below is the fair value of the net assets acquired:

(In thousands of Euro)	**30.06.2021**
Property, plant and equipment	9
Intangible assets	50
Inventories	29
Cash and cash equivalents	109
Total assets acquired	**197**
Financial liabilities	(2)
Other liabilities	(6)
Trade payables	(3)
Total liabilities assumed	**(11)**
Total acquired equity	**186**
Goodwill	1,809
Price paid	**1,995**

Accounting effects of the business combination

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

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

(In thousands of Euro)	**11 June 2021**
Total consideration transferred	1,995
Fair value of net identifiable assets	(186)
Goodwill	**1,809**

4.2.1 Impairment test of goodwill

As at 30 June 2021, goodwill recognised in the Group's consolidated financial statements amounted to EUR 108,033 thousand and was allocated to the sole cash-generating unit (hereinafter also referred to as the "CGU"), which coincides with the entire Cellularline Group.

Based on the above considerations, at 30 June 2021, the Group has also tested the recoverable amounts of intangible assets, property, plant and equipment, and financial assets, in order to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the amount of any impairment loss.

In accordance with the applicable standard (IAS 36), to test goodwill recognised at 30 June 2021 for impairment, the Directors carried out a specific impairment test, with the support of an independent advisor.

In particular, the impairment test was carried out on the entire Group, which represents the cash generating unit to which the goodwill was allocated, on the basis of the economic and financial forecasts contained in the Financial Projections 2021-2024 approved by the Directors on 13 September 2021, and using the discounted cash flow method.

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

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

The discount rate used was the weighted average cost of capital ("Weighted Average Cost of Capital" or "WACC") of approximately 7.8% and an estimated sustainable growth rate ("g") of 1.34%. The WACC is the average of the cost of equity and the cost of debt capital weighted according to financial structure of comparable companies. It should be noted that the estimates and data relating to the performance and financial forecasts to which the above parameters are applied are determined by Management on the basis of past experience and expectations of developments in the markets in which the Group operates.

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

The analyses carried out have led to an estimate of the recoverable amount, in the form of the Enterprise Value, of about EUR 302 million; this amount is significantly higher than the carrying amount at the reporting date, meaning that there are no impairment losses.

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

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

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

- the WACC and the growth rate (g-rate), in order to verify the impact generated by changes in these parameters on the Enterprise Value and, consequently, on the difference between the latter and the Carrying Amount, and on the Equity Value, which is the difference between value in use and the net financial position at the reporting date.
- the WACC and EBITDA according to the Financial Projections 2021-2024 and the Terminal Value in order to verify the impact generated by changes in these parameters on the Enterprise Value and,

consequently, on the difference between the latter and the carrying amount, and the Equity Value, which is the difference between the value in use and the net financial position 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 Property, plant and equipment, broken down by category as at 30 June 2021 and 31 December 2020, is shown below:

(In thousands of Euro)	31 December 2020	Increases	Acquisitions	(Depreciation)	(Decreases/Write-downs)	Exchange difference	Reclassifications	Use of provision	30 June 2021
Land and buildings	5,163	10	-	(86)	-	(18)	-		5,069
Plant and machinery	458	20	-	(92)	-	(1)	-		385
Industrial and commercial equipment	2,133	363	9	(435)	(111)	(12)	91	99	2,137
Assets under construction and payments on account	169	3	-	-	-	-	(91)	-	81
Total property, plant and equipment	**7,924**	**396**	**9**	**(613)**	**(111)**	**(31)**	**-**	**99**	**7,672**

Net of decreases in "Assets under construction", the Group has invested Euro 293 thousand in property, plant and equipment, mainly for industrial and commercial equipment and the IT infrastructure.

4.4 Right-of-use assets

This item, amounting to EUR 1,868 thousand (EUR 1,749 thousand as at 31 December 2020), refers exclusively to the recognition of rights of use following the initial application of IFRS 16 - Leases.

The changes in the year were as follows:

(In thousands of Euro)	Right-of-use assets
Balance as at 31 December 2020	**1,749**
Increases	566
Exchange difference	(4)
Decreases	(27)
(Depreciation)	(416)
Balance as at 30 June 2021	**1,868**

The increases recognised in the period, equal to EUR 566 thousand, mainly refer to the agreement of new contracts to lease cars and commercial vehicles.

4.5 Deferred tax assets and deferred tax liabilities

Changes in Deferred tax assets and deferred tax liabilities broken down at 31 December 2020 and 30 June 2021 are shown below.

Deferred tax assets

(In thousands of Euro)	
Balance as at 31 December 2020	**1,782**
Net accruals to profit or loss	2,519
Net releases to comprehensive income	(18)
Balance as at 30 June 2021	**4,283**

The balance as at 30 June 2021, amounting to EUR 4,283 thousand, comprises deferred tax assets originating mainly in the Parent from accruals to taxed provisions and the loss for the period.

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

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

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

Deferred tax liabilities

(In thousands of Euro)	
Balance as at 31 December 2020	**2,552**
Net releases to profit or loss	(258)
Net releases to comprehensive Income	(12)
Balance as at 30 June 2021	**2,282**

Deferred tax liabilities are primarily attributable to the deferred taxation in connection with the fair value of the warrant and the purchase price allocation of Worldconnect and Systema.

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

4.6 Financial assets

Financial assets as at 30 June 2021 amount to EUR 546 thousand (EUR 555 thousand as at 31 December 2020) and refer exclusively to the financial asset with the associate Cellular Swiss S.A. (measured using the equity method).

4.7 Inventories

Inventories as at 30 June 2021 amount to EUR 32,003 thousand, net of the provision for inventory write-down of EUR 1,503 thousand. Inventories include those at the Group's warehouse and goods in transit, for which the Group has already acquired ownership, for EUR 2,125 thousand (EUR 2,417 thousand as at 31 December 2020). 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)	Balance as at	
	30 June 2021	**31 December 2020**
Finished products and goods	29,888	31,049
Goods in transit	2,125	2,417
Advances	1,493	1,028
Gross inventories	**33,506**	**34,494**
(Provision for inventory write-down)	(1,503)	(1,531)
Total inventories	**32,003**	**32,963**

Changes in the provision for inventory write-down as at 31 December 2020 and 30 June 2021 are shown below:

(In thousands of Euro)	**Provision for inventory write-down**
Balance as at 31 December 2020	**(1,531)**
(Accruals)	(1,275)
Releases to profit or loss	-
Exchange difference	3
Utilisations	1,300
Balance as at 30 June 2021	**(1,503)**

During the period, the Group, following an analysis of slow-moving products, accrued EUR 1,275 thousand to cover obsolete /slow-moving inventories (typical of the sector), in order to align their carrying amount with their estimated realisable value.

The utilisation of the provisions of EUR 1,300 thousand refers to part of the scrapping in the first half of 2021.

4.8 Trade receivables

The breakdown of Trade receivables as at 30 June 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	Balance as at	
	30 June 2021	**31 December 2020**
Trade receivables from third parties	34,154	50,837
Trade receivables from related parties	5,979	5,244
Gross trade receivables	**40,133**	**56,081**
(Loss allowance)	(3,454)	(3,377)
Total trade receivables	**36,679**	**52,704**

Trade receivables decreased by Euro 16,025 thousand compared to the previous reporting date; the decrease is mainly due to a seasonal phenomenon of the business.

Changes in the loss allowance as at 30 June 2021 are shown below:

(In thousands of Euro)	**Loss allowance**
Balance as at 31 December 2020	**(3,377)**
(Accruals)	(85)
Releases to profit or loss	-
Exchange difference	1
Utilisations	7
Balance as at 30 June 2021	**(3,454)**

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

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

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

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

4.9 Current tax assets

The breakdown of current tax assets as at 30 June 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	**Balance as at**	
	30 June 2021	**31 December 2020**
Tax asset of previous years (Patent Box)	537	1,504
Credit for tax advances	741	-
Other tax assets	-	24
Total current tax assets	**1,278**	**1,528**

Current tax assets mainly include: (*i*) tax advances of EUR 741 thousand, (*ii*) the residual tax credit accrued by the Parent following the application of the Framework Agreement with the Revenue Office for the purposes of the so-called Patent Box (signed in March 2018), equal to EUR 418 thousand and (*iii*) taxes claimed for reimbursement amounting to EUR 115 thousand.

It is also noted that the option for the national tax consolidation, for IRES purposes, between the parent Cellularline S.p.A. and the subsidiary Systema S.r.l. has been exercised for the three years 2020-2022.

4.10 Financial assets

Financial assets as at 30 June 2021 amount to EUR 352 thousand (EUR 108 thousand as at 31 December 2020) and relate for EUR 59 thousand to security deposits and EUR 293 thousand to the fair value of derivative instruments in place as at 30 June 2020.

The Group has entered into forward currency purchase contracts (USD) (Vanilla Option) with leading banks to hedge the exchange rate risk in relation to purchases from suppliers located mainly in the Far East, which are settled in dollars in accordance with industry practice. As at the reporting date, the notional amount of forward currency contracts entered into was USD 20,000 thousand. All contracts open as of 30 June 2021 will expire during the second half of 2021. Changes in the fair value of these derivatives were recognised in profit or loss for the period.

4.11 Other assets

Other assets as at 30 June 2021 come to EUR 3,184 thousand (EUR 4,780 thousand as at 31 December 2020) and mainly include prepaid expenses for the advance payment of contributions to customers following the signing of commercial contracts of approximately EUR 2,768 thousand and VAT credits for the period of EUR 139 thousand.

4.12 Cash and cash equivalents

The breakdown of Cash and cash equivalents as at 30 June 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	**Balance as at**	
	30 June 2021	**31 December 2020**
Bank accounts	17,243	8,616
Cash on hand	11	13
Total cash and cash equivalents	**17,254**	**8,629**

Cash and cash equivalents amount to EUR 17,254 thousand as at 30 June 2021 (EUR 8,629 thousand as at 31 December 2020). The item consists of cash on hand, securities and deposits on demand or short-term deposits with banks that are currently available and readily usable.

For further details regarding the dynamics that influenced cash and cash equivalents, reference should be made to the statement of cash flows.

4.13 Equity

Equity was EUR 205,054 thousand (EUR 208,455 thousand at 31 December 2020), having decreased during the period mainly as a result of the loss for the period.

Share capital

The share capital as at 30 June 2021 amounts to EUR 21,343, divided into 21,868,189 ordinary shares. In June 2021, as provided for by the provisions of its articles of association, the parent automatically converted 195,000

special shares into ordinary shares. In accordance with this provision of the articles of association, the 195,000 special shares were converted at a ratio of one ordinary share for every special share held and, therefore, into a total of 195,000 new-issue ordinary shares in Cellularline, with no change to the amount of the share capital. Upon completion of the conversion, the parent's share capital consists of 21,868,189 ordinary shares with no nominal value (21,673,189 at 31 December 2020).
There are also 6,130,954 warrants outstanding.

Other reserves

As at 30 June 2021, other reserves amount to EUR 158,255 thousand and were divided as follows:

- Share premium reserve, which amounts to EUR 139,917 thousand;
- Reserves for a net amount of EUR 33,528 thousand deriving mainly from the allocation of the Purchase Price Allocation;
- Reserve for treasury shares of EUR 15,190 thousand; during the first half of 2021 there were no purchases or sales, leaving the opening balances unchanged.

Share-based payments

In 2021, the Group approved a Stock Grant Plan, which entailed the award certain key managers with the rights to receive shares of the parent free of charge.
The free award of such rights to receive shares comes under the scope of the "Cellularline S.p.A. 2021-2023 Incentive Plan", submitted for approval by the ordinary shareholders' meeting on 28 April 2021.
The following table summarises the main conditions of the stock option plan:

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

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

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

(i) the Relative Total Shareholder Return (or Relative TSR) is the share performance objective and contributes towards the incentive variable remuneration provided for by the Plan (in the form of shares), weighing for 70%,
(ii) the Consolidated Three-Year Adjusted EBITDA is the corporate performance objective and contributes towards the incentive variable remuneration provided for by the Plan (in the form of shares), weighing for 30%.

As at 30 June 2021, in accordance with IFRS 2, the measurement regarded the total fair value of the approved plan.

The "market based" component (Relative Total Shareholder Return) has been estimated using a stochastic simulation with the Monte Carlo Method, which, on the basis of suitable hypotheses, made it possible to define a significant number of alternative scenarios over the time frame considered.

The "non market based" component has been valued at the reporting date to take into account expectations regarding the number of rights that may be accrued (in the specific case, considering the performance of EBITDA with respect to the plan targets).

4.14 Financial liabilities (current and non-current)

The breakdown of current and non-current financial liabilities as at 30 June 2021 is shown below:

(In thousands of Euro)	Balance as at	
	30 June 2021	**31 December 2020**
Current bank loans and loans and borrowings from other financial backers	10,072	10,039
Non-current bank loans and loans and borrowings from other financial backers	30,641	35,027
Total financial liabilities	**40,713**	**45,066**
Other current financial liabilities	7,972	6,668
Other non-current financial liabilities	7,076	5,961
Total other financial liabilities	**15,048**	**12,629**
Total financial liabilities	**55,761**	**57,695**

As at 30 June 2021, bank loans and loans and borrowings from other financial backers come to EUR 40,713 thousand (EUR 45,066 thousand as at 31 December 2020) and mainly include:

- the bank loan of the parent, agreed in October 2020 in the re-financing transaction for EUR 39,800 thousand, net of the amortised cost.
- the loan agreed by the subsidiary Worldconnect, in connection with the Covid-19 emergency for EUR 911 thousand.

As at 30 June 2021, other financial liabilities come to EUR 15,048 thousand (EUR 12,629 thousand at 31 December 2020) and mainly include:

- the financial liability deriving from the probable exercise of the put/call options related to the acquisition of the subsidiaries for EUR 6,452 thousand, of which EUR 4,142 thousand related to Worldconnect, EUR 1,700 related to Coverlab and EUR 610 thousand related to Systema;
- the financial liability of EUR 5,246 thousand (originally CHF 5.8 million) related to the second tranche of the acquisition of 80% of Worldconnect and fully paid-up in July 2021.
- the financial liability relating to warrants of EUR 1,410 thousand (reclassified to current financial liabilities)

- the lease liability deriving from the application of IFRS 16 for EUR 1,939 thousand.

Bank loans and loans and borrowings from other financial backers of the parent as at 30 June 2021, gross of bank fees, are shown below:

(In thousands of Euro)	Inception	Maturity	Original amount	30 June 2021		
				Outstanding debt	current portion	non-current portion
Banco BPM S.p.A.	26/10/2020	20/06/2025	25,000	20,000	5,000	15,000
Intesa Sanpaolo S.p.A.	26/10/2020	20/06/2025	25,000	20,000	5,000	15,000
Bank loans and loans and borrowings from other financial backers			**50,000**	**40,000**	**10,000**	**30,000**

The loan is measured at amortised cost in accordance with IFRS 9 and therefore the carrying amount of EUR 39,800 thousand as at 30 June 2021 (EUR 45,066 thousand as at 31 December 2020), is reduced by transaction costs.

The original principal amount of the loan was EUR 50 million, with repayment in six-monthly instalments of EUR 5,000 thousand each, with final repayment on 20 June 2025. The loan is subject to a financial covenant (leverage ratio) which has always been complied with at the closing date. The interest on the loan accrues at a variable rate, calculated considering the Euribor plus a contractually-agreed spread (equal to 1.80% until 20 June 2021 and 2.55% from 21 June 2021);

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

(In thousands of Euro)	Balance as at	
	30 June 2021	**31 December 2020**
Within 1 year	18,044	16,707
From 1 to 5 years	37,620	40,783
Over 5 years	97	205
Total Financial liabilities	**55,761**	**57,695**

The breakdown of net financial indebtedness as at 30 June 2021 is shown below;

	Balance as at		Changes	
(In thousands of Euro)	**30 June 2021**	**31 December 2020**	**Δ**	**%**
(A) Cash	17,254	8,629	8,625	100.0%
(B) Other cash and cash equivalents	-	-	-	-
(C) Other current financial assets	352	108	244	>100.0%
(D) Cash and cash equivalents (A)+(B)+(C)	**17,606**	**8,737**	**8,869**	**>100%**
(E) Current financial liabilities	7,972	6,668	1,304	19.6%
(F) Current portion of non-current indebtedness	10,072	10,039	33	0.3%
(G) Current financial indebtedness (E) + (F)	**18,044**	**16,707**	**1,337**	**8.0%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*18,044*	*16,707*	*1,337*	*8.0%*
(H) Net current financial indebtedness (G) - (D)	**438**	**7,970**	**(7,532)**	**-94.5%**
(I) Non-current financial indebtedness	37,717	40,988	(3,271)	-8.0%
(J) Debt instruments	-	-	-	-
(K) Trade payables and other current liabilities	-	-	-	-
(L) Non-current financial indebtedness (I)+(J)+(K)	**37,717**	**40,988**	**(3,271)**	**-8.0%**
- of which guaranteed	-	-	-	-
- of which not guaranteed	*37,717*	*40,988*	*(3,271)*	*-8.0%*
(M) NET FINANCIAL INDEBTEDNESS (H) + (L)	**38,155**	**48,958**	**(10,803)**	-22.1%
Other financial liabilities - warrants	(1,410)	(653)	(757)	>100.0%
Adjusted net financial indebtedness	**36,745**	**48,305**	**(11,560)**	**-23.9%**

"Other current financial assets" mainly include the fair value at the reporting date of the exchange rate derivatives subscribed by the Group for its core business; these derivatives do not meet the requirements of hedge accounting.

4.15 Employee benefits

As at 30 June 2021, this item, amounting to EUR 685 thousand (EUR 720 thousand as at 31 December 2020), includes the actuarial valuation of the parent and the subsidiary Systema's post-employment benefits (TFR); they were measured on the basis of the project unit credit method as provided for by IAS 19.

The actuarial model is based on:

- discount rate of 0.79%, which was derived from the Iboxx Corporate AA index with a duration of 10+;
- annual inflation rate of 0.80%;
- annual rate of increase in the post-employment benefits of 2.1%, which is equal to 75% of inflation plus 1.5 percentage points.

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

4.16 Provisions for risks and charges

Changes in provisions for risks and charges, broken down for the period between 31 December 2020 and 30 June 2021 are shown below:

(In thousands of Euro)	**Provision to cover losses of equity-accounted investees**	**Provision for agents' leaving indemnities**	**Total**
Balance as at 31 December 2020	**65**	**1,697**	**1,762**
- of which current portion	*65*	-	*65*
- of which non-current portion	-	*1,697*	*1,697*
Accruals	-	59	59
(Utilisations/Releases)	(65)	(18)	(83)
Balance as at 30 June 2021	**-**	**1,738**	**1,738**
- of which current portion	-	-	-
- of which non-current portion	-	*1,738*	*1,738*

The provision for agents' leaving indemnities (FISC) refers to the amounts that the parent and the subsidiary Systema would be required to pay to agents for the termination of their agency contracts. The actuarial valuation, in compliance with IAS 37, was carried out by quantifying future payments through the projection of the indemnities accrued at the reporting date by the agents operating until the presumed (random) termination date of the contractual relationship. For actuarial valuations, demographic and economic-financial assumptions were used; specifically, the discount rate was set with reference to the IBoxx Eurozone AA index in relation to the duration of the collective at 0.79%.

The provision to cover losses of equity-accounted investees came to nil following the positive results obtained by the associate Cellular Swiss, in application of the equity method.

4.17 Trade payables

The breakdown of trade payables as at 30 June 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	**30 June 2021**	**31 December 2020**
Trade payables to third parties	11,429	14,506
Trade payables to related parties	1,214	979
Total trade payables	**12,643**	**15,485**

As at 30 June 2021, trade payables, all due within the year within normal payment terms, amounted to Euro 12,643 thousand (Euro 15,485 thousand as at 31 December 2020) and refer to the acquisition of goods and services.

The decrease in the period of EUR 2,842 thousand is due to the seasonality of the business, which increases physiologically during the second half and the action taken to rationalise costs and increase the efficiency of the supply chain by the management, also following COVID-19.

4.18 Tax liabilities

As at 30 June 2021, the amount comes to EUR 1,234 thousand (EUR 1,869 thousand at 31 December 2020) and mainly includes the residual amount due for substitute tax on the realignment of statutory and tax values of the Cellularline and Interphone trademarks and the customer relationship for EUR 1,221 thousand, payment of which is expected by June 2022 and June 2023.

4.19 Other liabilities

The breakdown of other liabilities as at 30 June 2021 and 31 December 2020 is shown below:

(In thousands of Euro)	**30 June 2021**	**31 December 2020**
Amounts due to employees	2,250	1,884
Tax liabilities	1,536	1,183
Social security charges payable	909	969
Other	388	1,495
Total other liabilities	**5,083**	**5,531**

As at 30 June 2021, the item amounts to EUR 5,083 thousand (EUR 5,531 thousand as at 31 December 2020) and mainly consists of:

- EUR 2,250 thousand due to employees for wages to be settled (13th and 14th months' salaries and bonuses);
- tax liabilities of EUR 1,536 thousand (withholdings and VAT);
- EUR 909 thousand due to social security institutions for contributions to be settled in connection with personnel;
- EUR 388 thousand for other (advances to customers and accrued expenses and deferred income).

4.20 Revenue

In the half year ended 30 June 2021, revenue from sales amounts to EUR 39,707 thousand (EUR 36,621 thousand in the first half of 2020).

As mentioned earlier, the Group operates through one operating segment which can be divided into three main product lines:

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

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

Revenue from sales by product line

(In thousands of Euro)	Half year ended				Change	
	30 June 2021	% of revenue	30 June 2020	% of revenue	Δ	%
Red – Italy	16,019	40.3%	12,540	34.2%	3,479	27.7%
Red – International	15,176	38.2%	16,504	45.1%	(1,328)	-8.0%
Revenue from sales - Red	**31,195**	**78.6%**	**29,044**	**79.3%**	**2,151**	**7.4%**
Black – Italy	2,269	5.7%	1,233	3.4%	1,036	84.1%
Black – International	2,274	5.7%	2,082	5.7%	192	9.2%
Revenue from sales - Black	**4,543**	**11.4%**	**3,315**	**9.1%**	**1,228**	**37.0%**
Blue – Italy	3,203	8.1%	2,954	8.1%	249	8.4%
Blue – International	652	1.6%	1,141	3.1%	(489)	-42.8%
Revenue from sales - Blue	**3,855**	**9.7%**	**4,095**	**11.2%**	**(240)**	**-5.9%**
Other – Italy	114	0.3%	167	0.5%	(53)	-31.7%
Revenues from sales - Other	**114**	**0.3%**	**167**	**0.5%**	**(53)**	**-31.7%**
Total revenue from sales	**39,707**	**100.0%**	**36,621**	**100%**	**3,086**	**8.4%**

Revenue from sales by geographical area

(In thousands of Euro)	Half year ended				Change	
	30 June 2021	% of revenue	30 June 2020	% of revenue	Δ	%
Italy	21,605	54.4%	16,894	46.1%	4,711	27.9%
Spain/Portugal	3,599	9.1%	2,226	6.1%	1,373	61.7%
Eastern Europe	2,879	7.3%	2,382	6.5%	497	20.9%
France	2,799	7.0%	3,161	8.6%	(362)	-11.4%
Benelux	2,102	5.3%	3,781	10.3%	(1,679)	-44.4%
Northern Europe	2,015	5.1%	1,713	4.7%	302	17.6%
Switzerland	1,750	4.4%	1,601	4.4%	149	9.3%
Austria/Germany	1,270	3.2%	3,344	9.1%	(2,074)	-62.0%
Middle East	332	0.8%	266	0.7%	66	24.8%
Others	1,356	3.4%	1,253	3.40%	103	8.2%
Total revenue from sales	**39,707**	**100%**	**36,621**	**100%**	**3,086**	**8.4%**

4.21 Cost of sales

The cost of sales amounts to EUR 23,753 thousand in the first half of 2021 (EUR 22,708 in the first half of 2020) and mainly includes the costs of purchase and processing of raw materials (EUR 21,519 thousand), personnel expense (EUR 1,195 thousand), related costs (EUR 368 thousand) and logistics costs (EUR 671 thousand).

4.22 Sales and distribution costs

In the period ended 30 June 2021, the sales and distribution costs amounted to EUR 11,375 thousand (EUR 9,913 thousand in the first half of 2020) and are broken down as follows:

(In thousands of Euro)	Half year ended			
	30 June 2021	**% of revenue**	**30 June 2020**	**% of revenue**
Personnel expense for sales and distribution	5,433	13.7%	4,674	12.8%
Commissions to customers	2,286	5.8%	1,683	4.6%
Transport	2,350	5.9%	2,390	6.5%
Advertising, commercial and adv. consultancy costs	642	1.6%	577	1.6%
Other sales and distribution costs	664	1.7%	589	1.6%
Total sales and distribution costs	**11,375**	**28.6%**	**9,913**	**27.1%**

The item had a 1.6% higher incidence on revenue than in H1 2020, mainly due to: (i) the increase in commissions to agents deriving from an increase in the national turnover mix as compared with the foreign markets; (ii) the increase in personnel expense deriving from both the acquisition of Worldconnect and the fact that during the first half of 2020, action was taken to rationalise costs and mitigate the impact tied to the first wave of COVID-19 (including CIGD, reducing top management salaries, etc.), which has not been taken in 2021.

4.23 General and administrative costs

In the first half of 2021, the general and administrative costs amounted to EUR 11,470 thousand (EUR 10,465 thousand in the first half of 2020) and are broken down as follows:

(In thousands of Euro)	Half year ended			
	30 June 2021	**% of revenue**	**30 June 2020**	**% of revenue**
Amortisation	4,768	12.0%	4,110	11.2%
Depreciation	905	2.3%	819	2.2%
Provisions for risks and impairment losses	85	0.2%	125	0.3%
Administrative personnel expense	2,579	6.5%	2,226	6.1%
Administrative, legal, personnel consultancy etc.	1,206	3.0%	1,346	3.7%
Directors' and Statutory Auditors' fees	478	1.2%	464	1.3%
Commissions and fees	44	0.1%	64	0.2%
Other general administrative costs	1,405	3.5%	1,311	3.6%
Total general and administrative costs	**11,470**	**28.9%**	**10,465**	**28.6%**

General and administrative costs increase with respect to the same period of the previous year, mainly due to: (i) the increase in the amortisation of intangible fixed assets, of which EUR 3,213 deriving from the purchase price allocation (EUR 3,018 thousand in H1 2020); (ii) the increase in personnel expense deriving from both the acquisition of Worldconnect and the action taken by management in 2020 to rationalise costs and mitigate the impact tied to the first wave of COVID-19 (including CIGD, reducing top management salaries, etc.).

4.24 Other non-operating costs and revenue

In the first half of 2021, non-operating costs and revenue amount to EUR 1,979 thousand (EUR 363 thousand in the first half of 2020) and are broken down as follows:

(In thousands of Euro)	Half year ended			
	30 June 2021	**% of revenue**	**30 June 2020**	**% of revenue**
Prior year income and (expense)	(192)	-0.5%	13	0.0%
Recoveries of SIAE fees	130	0.3%	260	0.7%
(SIAE and CONAI contributions)	(199)	-0.5%	(316)	-0.9%
Other non-operating revenue	2,240	5.6%	406	1.1%
Total other non-operating revenue	**1,979**	**4.9%**	**363**	**1.0%**

Total other non-operating revenue came to EUR 1,979 thousand, up by EUR 1,616 thousand on the first half of 2020; the increase is mainly due to the Härtefall contribution, as already described in paragraph 6.5 of the interim directors' report.

4.25 Financial income and expense

Net financial expense amounts to EUR 1,344 thousand (income of EUR 87 thousand in the first half of 2020).

(In thousands of Euro)	Half year ended			
	30 June 2021	**% of revenue**	**30 June 2020**	**% of revenue**
Fair value gains	243	0.6%	813	2.2%
Interest income	1	0.0%	95	0.3%
Total financial income	**244**	**0.6%**	**908**	**2.5%**
Commissions and other financial expense from fair value	(957)	-2.4%	(119)	-0.1%
Interest expense on non-current loans	(591)	-1.5%	(658)	-1.8%
Other interest expense	(39)	-0.1%	(44)	-0.3%
Total financial expense	**(1,587)**	**-4.0%**	**(821)**	**-2.2%**
Net financial income and expense	**(1,343)**	**-3.4%**	**87**	**0.2%**

Net financial expense for H1 2021 comes to EUR 1,343 thousand, while in H1 2020, income was recorded for EUR 87 thousand. This effect is exclusively due to the change in the fair value of warrants issued, which in 2021 generated an expense of EUR 757 thousand, while in 2020 had a positive impact on the income statement in the amount of EUR 683 thousand; therefore, net of this effect relative to the warrants - which totals EUR 1,440 thousand - net financial expense for H1 2021 is in line with 2020.

Financial income in the first half of 2021 comes to EUR 244 thousand and refers to:

- EUR 243 thousand, the positive fair value of exchange rate hedges (EUR 73 thousand in the first half of 2020);
- EUR 1 thousand for bank interest income (EUR 95 thousand in the first half of 2020);

In the first half of 2020, the item included a positive effect of EUR 683 thousand relative to the change in the fair value of the warrants issued by the Group (6,130,954 at 30 June 2020).

Financial expense in the first half of 2021 comes to EUR 1,588 thousand and mainly refers to:

- EUR 757 thousand for the change, compared to the previous year, in the fair value of warrants issued by the Group (6,130,954 at 30 June 2021);

- EUR 591 thousand relative to interest to banks for the loan signed in October 2020 for an original amount of EUR 50,000 thousand (the residual debt at 30 June 2021 is EUR 40,000 thousand).

4.26 Foreign exchange gains and losses

The breakdown of the item for the six-month periods ended 30 June 2021 and 30 June 2020 is shown below:

(In thousands of Euro)	Half year ended			
	30 June 2021	**% of revenue**	**30 June 2020**	**% of revenue**
Exchange gains /(losses) on trading	4	0.0%	177	0.5%
Exchange gains/(losses) on financial transactions	(10)	0.0%	26	0.1%
Net exchange gains (losses)	**(6)**	**0.0%**	**203**	**0.6%**

4.27 Income taxes

The breakdown of income taxes for the six-month periods ended 30 June 2021 and 30 June 2020 is shown below:

(In thousands of Euro)	Half year ended	
	30 June 2021	**30 June 2020**
Current taxes	(20)	(1)
Current taxes of previous years	158	42
Deferred taxes	2,778	1,504
Total	**2,916**	**1,545**

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 profit for the period for each individual entity. The change compared to the first half of 2020 is mainly due to the allocation of deferred tax assets on the loss for the period ended 30 June 2021.

Deferred taxes of EUR 2,778 thousand refer to:

- income from the accrual for deferred tax assets of the various Group companies' losses for the period, amounting to EUR 2,521 thousand;
- income on the release of deferred taxes arising from the change in the fair value of the warrant, amounting to approximately EUR 182 thousand;
- income on the release of deferred tax liabilities arising from the effect of amortisation on the PPA of Worldconnect and Systema, amounting to EUR 79 thousand;
- expense for other sundry items of EUR 4 thousand.

4.28 Basic and diluted earnings per share

Basic earnings per share were calculated by dividing the loss 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 ended	
	30 June 2021	**30 June 2020**
Loss for the period [A]	(3,225)	(3,921)
Number of shares (in thousands) considered for the calculation of basic and diluted earnings per share [B]	20,234	20,036
Basic and diluted earnings per share (*in Euro*) [A/B]	**(0.16)**	**(0.20)**

The number of shares has increased on 31 December 2020 following the conversion of 195,000 Special Shares into 195,000 Ordinary Shares.

4.29 Statement of cash flows

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

Cash flows generated by operating activities

(In thousands of Euro)	Half year ended	
	30 June 2021	**30 June 2020**
Cash flows from operating activities		
Profit/(loss) for the period	(3,225)	(3,921)
Adjustments for:		
- Income taxes	(2,916)	(1,545)
- Net accruals and impairment losses	89	332
- Losses/(gains) on equity investments	(120)	(345)
- Accrued financial (income)/expense	1,344	595
- Amortisation, depreciation and impairment losses	5,673	4,943
- Other non-monetary movements	(232)	-
Changes in:		
- Inventories	1,018	(14,875)
- Trade receivables	15,947	25,099
- Trade payables	(2,844)	(9,150)
- Other changes in operating assets and liabilities	2,288	(167)
- Payment of employee benefits and change in provisions	-	(115)
Cash flows generated by/(used in) operating activities	**17,022**	**(852)**
Taxes paid/offset	(1,367)	(925)
Interest paid	(410)	(595)
Net cash flows generated by/(used in) operating activities	**15,245**	**(668)**
Net COVID-19 expense and other non-recurring expense	812	1,599
Financial income on warrants	-	(683)
Adjusted net cash flows generated by operating activities	**16,057**	**248**

Cash flows used in investing activities

(In thousands of Euro)	Half year ended	
	30 June 2021	**30 June 2020**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired and other costs	(1,732)	-
Purchases of property, plant and equipment and intangible assets	(2,002)	(1,561)
Net cash flows used in investing activities	**(3,734)**	**(1,561)**

Cash flows used in financing activities

(In thousands of Euro)	Half year ended	
	30 June 2021	**30 June 2020**
Cash flows from financing activities		
Decrease in financial liabilities	(4,521)	(6,666)
Increase/(decrease) in other financial liabilities	1,416	(1,642)
(Dividend distribution)	-	(6,612)
Payment of transaction costs relating to financial liabilities	167	193
Other changes in equity	53	-
Net cash flows used in financing activities	**(2,885)**	**(14,728)**

5. Related-party transactions

The Group has carried out, and continues to carry out, various types of transactions with related parties, most of which are of a commercial nature. These parties are identified as required by IAS 24.

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

Related-party transactions, as defined by IAS 24 and governed by Article 4 of Consob Regulation 17221 of 12 March 2010 (and subsequent amendments), implemented by the Group up to 30 June 2021 concern mainly commercial transactions relating to the supply of goods and the provision of services.

The following is a list of the related parties with which transactions took place in the first half of 2021, indicating the type of relationship:

Related parties	**Type and main relationship**
Cellular Swiss S.A.	Associate company with Cellularline S.p.A. at 50% (consolidated using the equity method); the remaining shareholders are: Ms Maria Luisa Urso (25%) and Mr Antonio Miscioscia (25%)
Christian Aleotti	Shareholder of Cellularline S.p.A.

The table below shows the statement of financial position of the Related-Party Transactions for the six-month period ended 30 June 2021:

(In thousands of Euro)	**Current trade receivables**	**Other non-current assets**	**(Trade payables)**
Cellular Swiss S.A.	4,765	546	-
Total	**4,765**	**546**	**-**
Impact on the financial statements item	*13,0%*	*100%*	-

The table below shows the income statement balances of Cellularline's related-party transactions up to 30 June 2021:

(In thousands of Euro)	**Revenue from sales**	**(Sales and distribution costs)**	**(General and administrative costs)**	**Other non-operating (expense)/revenue**
Cellular Swiss S.A.	1,554	-	(1)	-
Other	-	-	(4)	-
Total	**1,554**	**-**	**(5)**	**-**
Impact on the financial statements item	*3.9%*	-	*-0.0%*	-

The main related parties with which Cellularline carried out transactions in the period ended 30 June 2021 are as follows:

- Cellular Swiss S.A.: commercial relationship involving the transfer of goods held for sale by Cellularline to Cellular Swiss S.A., with the latter recharging a portion of the commercial contributions incurred for the acquisition of new customers and/or the development of existing customers, in line with the Group's commercial policies;
- Two lease contracts with Christian Aleotti signed on 1 September and 16 October 2017.

6. Other information

6.1 Contingent liabilities

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

6.2 Risks

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

Payment of the second tranche for the acquisition of control of Worldconnect AG

In July 2021, in connection with the acquisition of 80% of Worldconnect AG, the parent Cellularline S.p.A. paid the agreed deferred price of EUR 5,314 thousand, thereby fulfilling the agreements between the parties, which envisaged payment of said price within twelve months of the July 2020 closing.

Recognition of an additional tranche in connection with the Härtefall contribution by Worldconnect AG

In August 2021, the subsidiary Worldconnect AG received an additional payment in connection with the Härtefall contribution, for approximately CHF 310 thousand, supplementing the amount already received in May 2021 in connection with this same contribution, as already described in paragraph 6.5 of this document.

Reggio Emilia, 13 September 2021

Chairman of the Board of Directors	Manager in charge of financial reporting
Antonio Luigi Tazartes	Davide Danieli

ATTESTATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE HALF YEAR ENDED 30 JUNE 2021 PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED AND SUPPLEMENTED

We, the undersigned Christian Aleotti and Marco Cagnetta, in our capacity as Managing Directors, and Davide Danieli, as Manager in charge of financial reporting of the Cellularline Group, attest, also considering the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

- that the condensed interim consolidated financial statements are adequate in relation to the characteristics of the business; and
- that the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements as at and for the half year ended 30 June 2021 have been effectively applied.

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

We also attest that the Condensed interim Consolidated Financial Statements for the half-year ended 30 June 2021 of the Cellularline Group:

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

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 consolidated 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, 13 September 2021

Christian Aleotti
Deputy Chairman and Chief Executive Officer

Marco Cagnetta
Chief Executive Officer

Davide Danieli
Manager in charge of financial reporting

KPMG S.p.A.
Revisione e organizzazione contabile
Via Innocenzo Malvasia, 6
40131 BOLOGNA BO
Telefono +39 051 4392511
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(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 2021, 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 2021 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, 13 September 2021

KPMG S.p.A.

(signed on the original)

Davide Stabellini
Director of Audit