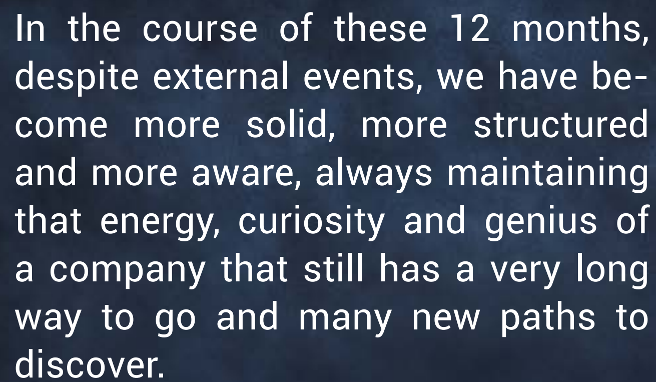
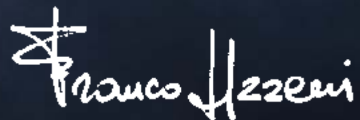
2020

ANNUAL REPORT



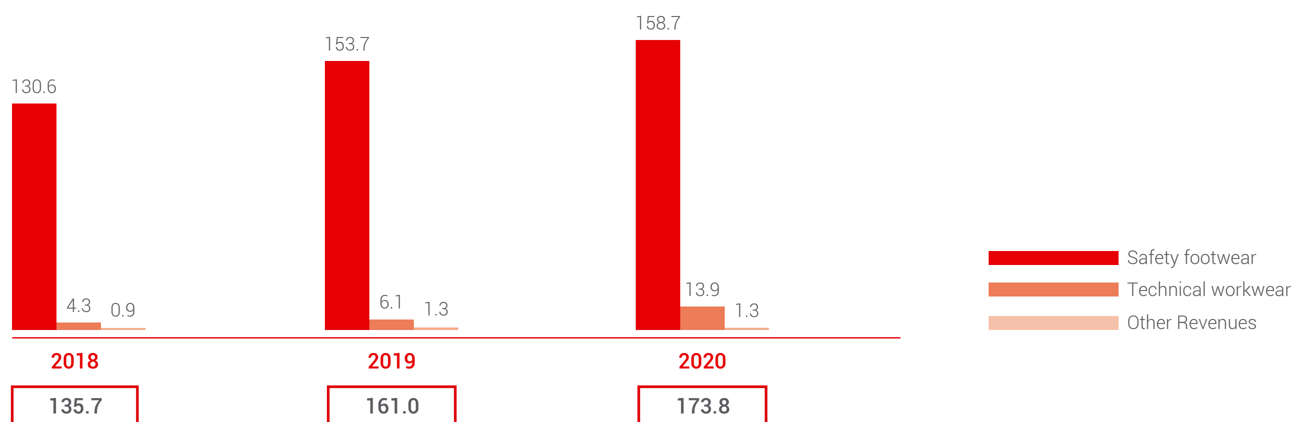
In the course of these 12 months, despite external events, we have become more solid, more structured and more aware, always maintaining that energy, curiosity and genius of a company that still has a very long way to go and many new paths to discover.

FRANCO UZZENI
PRESIDENT

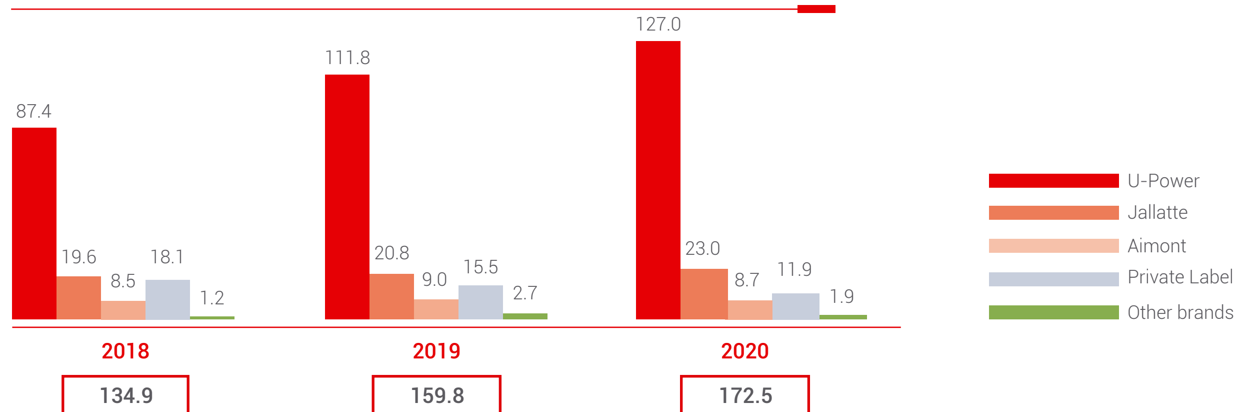


HIGHLIGHTS

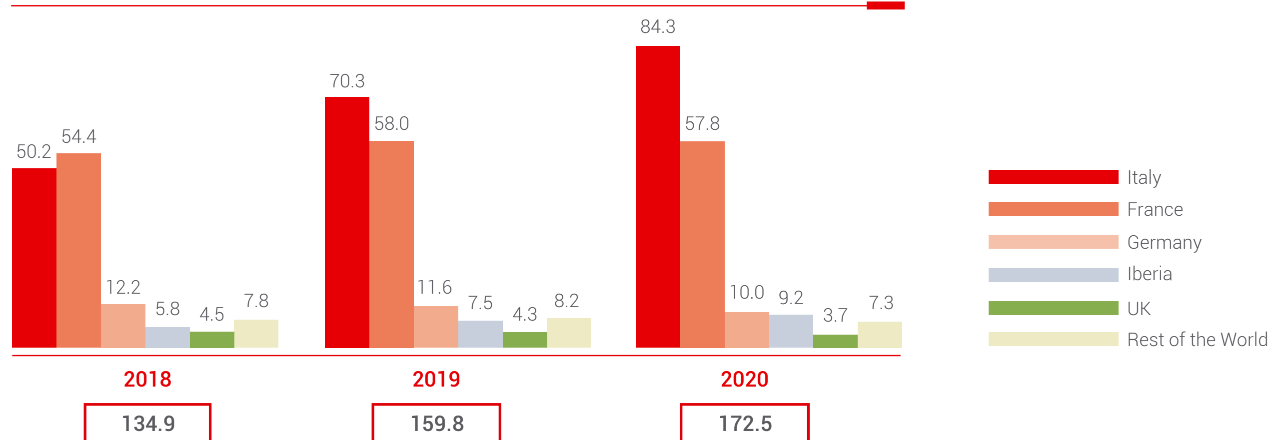
TOTAL REVENUES AND INCOME (€ million)



REVENUES FROM CONTRACTS WITH CUSTOMERS BY BRAND (€ million)



REVENUES FROM CONTRACTS WITH CUSTOMERS BY GEOGRAPHY (€ million)



HIGHLIGHTS

EBITDA

€42.8 m

+22% VS 2019

EBIT

€36.1 m

+17.9% VS 2019

NET PROFIT

€33 m

+11.8% VS 2019

EBITDA

24.8%

22.2% IN 2019

NET FINANCIAL DEBT

€19 m

€19.7 m IN 2019

CASH FLOW FROM OPERATING ACTIVITIES

€22 m

€20.7 m IN 2019

LETTER TO STAKEHOLDERS

FRANCO UZZENI
PRESIDENT

Despite
pandemic
emergency
COVID-19,
we have further
increased
all our financial
and
assets indicators

Dear Shareholder,

2020 was once again an extraordinary year for U-Invest[1] despite the Covid-19 health emergency and its impact in economic and human terms.

We grew further on all economic and financial indicators. Turnover increased by 8%, exceeding Euro 170 million, our operating margin was approximately Euro 43 million, accounting for 24.6% of turnover, while cash generation reached Euro 16.6 million, further reducing our financial exposure, which is now Euro 19 million (Euro 19.7 million at the end of 2019). The consolidated financial statements for the year ended 31 December 2020 show a profit for the year of Euro 33 million.

In the course of these 12 months, despite external events, we have become more solid, more structured and more aware, always maintaining that energy, curiosity and genius of a company that still has a very long way to go and many new paths to discover.

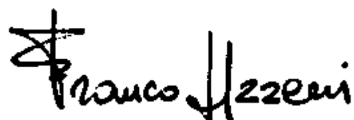
The Consolidated Financial Statements for the year ended 31/12/2020 consisting of the Consolidated Statement of Financial Position, the Consolidated Statement of Profit/(Loss) for the year, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the Explanatory Notes to the Consolidated Financial Statements are submitted for your review and approval.

[1] At 31 December 2020 U-Invest S.r.l.took on the company name "U-Power Group S.p.A."

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Information regarding the preparation of the aforementioned financial statements is provided in the Explanatory Notes; in this document, in compliance with the provisions of art. 2428 of the Italian Civil Code, information is provided regarding the income, equity, financial and management situation of the U-Invest group. This report has been drawn up with amounts expressed in thousands of Euro.

For the year ended 31 December 2020, the Company prepared the Group's Consolidated Financial Statements, as it did not apply the right of exemption envisaged by paragraph 3 of art. 27 Legislative Decree 127/1991.



>€170 m

+8% VS 2019

REVENUES

€43 m

EBITDA

€33 m

NET PROFIT

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REPORT
ON OPERATIONS

VALUES AND PURPOSE

U-Invest[1] is an ever evolving company projected towards reinvention and continuous development, while remaining true to itself.

We like to think that every day can be the beginning of something wonderful. A new challenge, a new opportunity, an unforeseen situation that tests us and allows us to show all our value.

We are convinced that positive thinking is not an illusion, but a concrete way to face life with a smile, with confidence in ourselves while trusting our abilities.

So here is our philosophy of life: don't worry, be happy!

[1] At 31 December 2020 U-Invest S.r.l. took on the company name "U-Power Group S.p.A."

PURSUING EXCELLENCE

We always strive to do better, as individuals and as a company. We never tire of learning and redefining the rules.

LEVERAGE CREATIVITY

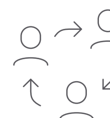
We are unique and unconventional. We give space to our inner genius.

BELIEVE IN TOMORROW

We always look to the future-oriented challenges, continuing to seek sustainable solutions where they have not yet been found.

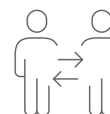
INVOLVING PEOPLE

Bringing empathy, building trust to create long-term relationships.



EXPERIENCE DIVERSITY

We are always open to welcoming different voices. We live with multiplicity and communicate with all generations.



PURSUING SUCCESSFUL SUSTAINABILITY

We seek excellence with the responsibility of preserving the environment and resources for future generations.

THE COMPANY

The Group structure as at 31 December 2020 is shown below:

U-Invest S.r.l.

Italy

Parent Company that provides centrally managed services such as marketing, management control, treasury and IT and that holds the equity investments of:

100% **Jalatte S.a.s.**
France
French company that produces and sells finished products (only footwear) using the logistics services provided by U-Logistics

100% **U-Group S.r.l.**
Italy
Main company of the Group that sells finished products using the logistics services provided by U-Logistics

100% **U-Logistics S.r.l.**
Italy
Company that manages all logistics activities related to order fulfilment and product deliveries

100% **Altek Europe S.r.l.**
Italy
Company that handles all the procurement of raw materials for the production of footwear

100% **Lupos GmbH**[2]
Germany
German trading company that manages the footwear produced by the Group companies.

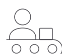
100% **Martek S.a.r.l.**
Tunisia
Tunisian production site that manufactures footwear with raw material purchased from Group associates

100% **Granbis S.a.r.l.**
Tunisia
Group brokerage company that purchases the finished product from the Tunisian associate and then resells it to U-Group

100% **Belbis S.a.r.l.**
Tunisia
Group brokerage company, which procures the finished product from the Tunisian subsidiary and then resells it to U-Group s.r.l.

Legend

Holding

 Manufacturing

Sales

Research and Development

Procurement of raw materials

Logistics

Registered office in Paruzzaro (NO) - Via Borgomanero 50
Share capital: Euro 10,000,000 fully paid up
Tax Code and Company Register of Novara 08482990150
Novara Chamber of Commerce n. 163970 R.E.A.

[2] On 23 December 2020, the liquidation of the German subsidiary Lupos GmbH began, transferring the commercial activity to U-Group S.r.l..

BUSINESS MODEL

The integrated management of the entire value chain, from R&D to production and marketing, guarantees flexibility and rapid response to market needs.

The Group is active in the research and development, production and marketing of a wide range of safety footwear intended for individual protection and safety in the work environments of operators mainly from, but not only, the different sectors of industry, agriculture and trade, highly regulated in terms of safety rules (such as chemical industry, construction, construction in general and services), as well as the marketing of work clothing.

In Safety Footwear - with the exception of the production of Basic Safety Footwear, which accounts for a small portion of total revenues and is commissioned by the Group to third party manufacturers located exclusively in China - the Group controls the entire value chain, according to a vertically integrated business model, with a workforce of approximately 4,400 employees.
R&D activities are carried out at global level at the Group's two R&D centres located in Italy (Trani and Paruzzaro).

The R&D activities are oriented, on the one hand, to the constant search for and identification of raw materials, materials and production components and/or production techniques able to improve and increase the efficiency of the quality and technological standards of the products.

Product development comprises several phases, including: the development or design of models, prototyping, the creation of models, the activities to control and test compliance with the reference regulations of the product, up to the final approval of the new model.

The ability to innovate and develop safe and technologically advanced products represents the strong point of U-Invest's strategy, which then directly manages production in the plants in Tunisia and France. For lower-end footwear and workwear, the company has decided to use directly selected, coordinated and periodically verified Asian manufacturers.

The main production plant is a state-of-the-art plant stretching over 100,000 square meters in Tunisia with a local workforce of approximately 4,200 employees, where the Group produces medium/high-end products (85% of production). The Group also has a commercial and production facility in France (~ 6% of production). For basic products, production is outsourced to selected Asian producers (~ 9% of total products).

In the Technical Clothing segment, on the other hand, the Group is involved in the R&D, industrialisation and marketing of technical clothing, entrusting their production to third-party manufacturers located in APAC countries.

The Group sells its own brand products and, to a lesser extent, third-party brands ("Private Labels"), through Business to Business ("B2B") sales.

The Group's customers include (i) large-scale retail trade operators ("Distributors") and (ii) small and medium-sized retailers, such as hardware stores and work item dealers ("Dealers"), through which the products are sold to end users (such as artisans, small entrepreneurs, workers from medium-large and large companies), operating mainly in the European market.

Sales are mainly through sales representatives who interact with thousands of Resellers and Distributors.

The brands owned by the Group are mainly the following:

These brands cover almost all product ranges, from the TOP of the range to basic products, but not the low-cost ones as they are not considered profitable.

High quality, constant technological innovation and product design, strong distinctive features and recognisable brands and models, prompt and good quality customer service, including a widespread distribution system in the markets in which it operates, are the characteristics believed to represent some of the keys to the Group's European expansion.

THE HISTORY OF THE GROUP

A long lasting successfull History

1988 2000

Focus on safety footwear

- Almar files the Aimont brand, specialising in safety footwear. It is in these years that manufactured is transferred to Tunisia and there is a significant increase in pairs manufactured per year. The product is now differentiated by features, price and geographical area.

1950 1987

Almar, the first years

- Pier Franco Uzzeni takes over the company founded in 1950 by his father in Soriso (NO), Italy: Almar. Manufacturing focuses on safety footwear, but sports shoes are also manufactured at the same time, by brands such as Puma and Adidas.

2000 2005

JAL Group

Consolidation

- Pier Franco Uzzeni sells the majority shares of Almar to the CVC investment fund. Almar is thus consolidated with the main European competitors, Jallatte and Lupos, to create the JAL Group. Uzzeni becomes CEO of the Group.

2006 2013

Creation of U-Group

U-Invest Group

- In 2005, Pier Franco Uzzeni left the JAL Group and founded U-Power with the aim of manufacturing and distributing safety footwear with his own brand, immediately gaining a positive of leadership in the European market.

2013 2017

Acquisition and relaunch of JAL Group

- In 2013, U-Power, leader in the sector, acquires the main assets and brands of JAL Group, which include Jallatte, Aimont and Lupos: U-Power Group is thus founded.
- 2017 is the year in which the Group's financial data recorded sustained growth, especially as a result of the introduction of the Red Lion line and the first results of the recovery of the acquired brands are beginning to be seen.

2017 2020

The new technological era

These are the years of greatest growth of the Group:

- U-Power launches the BASF's revolutionary new lines with Infinergy® technology.
- These are the Group's years of greatest growth:
- In 2020, with a further growth in turnover to approximately €173 million, the levels reached in 2014 will double.

THE STRATEGY

The Group's strategic directions for continuing business growth include:

- Consolidation of the leadership position in key markets
- **Entry into new markets with high growth potential** (Germany and other European areas)
- Expansion of products in niches of complementary markets .

These objectives are considered to be achievable thanks to products with innovative content and also through marketing and communication strategies aimed at developing brand awareness and strengthening customer loyalty.

SUSTAINABILITY

For U-Invest, the value of a company is also determined by the way in which its business is conducted, by the contribution made to society as a whole and by compliance with the commitments undertaken.

The Company believes, in fact, that the quality of its products is an element that must go beyond the technical aspects: a quality product must be a product made in a responsible manner and respectful of human and worker rights and of the environment. The ever increasing integration between economic decisions and the assessment of the related social and environmental impacts underlie U-Invest's ability to create long-term value for all stakeholders.

During 2020, the Company started a process that led to the preparation of a Sustainability Report prepared in compliance with the GRI standards.

FCS - CRITICAL FACTORS OF U-INVEST SUCCESS

The key elements of the U-Invest strategy underlying its competitive success can be summarised as follows:

- Integrated value chain with flexible logistics platform
- Brand recognition
- Value perception by the consumer towards the product purchased, with respect to the origin of production/source of the product itself
- Technological and design content of the safety footwear in relation to different "occasions for use", differentiated in relation to the markets/countries of destination
- Quality of service to customers/distributors: ability to guarantee very short delivery/order fulfilment times and customer assortment refills (in terms of range and depth)
- Well diversified portfolio of complementary brands with a wide range of products
- Highly diversified customer portfolio

THE CONTEXTUAL CONDITIONS AND THE BUSINESS DEVELOPMENT

The Group's reference market is that of Personal Protective Equipment and therefore of safety footwear and accident prevention clothing.

In the past, growth was largely driven by the introduction of homogeneous workplace safety standards (approved brand) throughout Europe and compliance with strict regulations that require the use of safety shoes in the workplace.

The demand for Technical clothing is expected to grow due to:
- greater awareness of the competent authorities and those responsible for safety in industries with high rates of accidents at work, including manufacturing, pharmaceuticals, oil and gas, construction, transport and chemicals.
- industrialisation in the Asia-Pacific area, also accompanied by the introduction of new safety rules.

Europe is the main geographical area of operation for the Group, where in 2020 it achieved 97% of revenues in this framework.

The European workwear market is estimated at Euro 1.7 billion in 2020 (in terms of revenues) and is expected to reach Euro 2.1 billion in 2024, recording a CAGR21-24 of +4.6%. (Source: Euromonitor study)

The Group operates on international markets and therefore its revenues and the relative profitability are influenced by the performance of the macroeconomic and market scenario. The recovery of the European economy in recent years has favoured the development of the Group's market.

Thanks to products with innovative content and also through marketing and communication strategies aimed at developing brand awareness and at strengthening customer loyalty, the Group believes it can consolidate its leadership position in key markets, strengthen its position in geographical areas characterised by a significant level of demand but currently not very well monitored, while consolidating the entry into the adjacent markets already started (i.e. clothing).

Workwear design.

SIGNIFICANT EVENTS

Below are some particularly significant events that are deemed useful to highlight.

OPERATING PERFORMANCE

The year 2020 was affected by the global Covid-19 pandemic, which had a significant negative impact on financial markets and on economic activities at domestic and global level, with a consequent drastic drop in global production.

Following the spread of Covid-19 and the consequent health emergency, starting from mid-March 2020, all production activities were gradually locked down in the various countries where the Group is present.

During the 2020 financial year, due to the restrictive measures adopted by the national authorities to contain the spread of COVID-19, the Group temporarily interrupted the production activities of the production plants of the subsidiary Martek Sarl, in Tunisia, between the end of March and the end of April 2020. On the other hand, production activities continued regularly at the subsidiary Jallatte sas plant in France.

In Italy and the United Kingdom, on the other hand, during the lockdown periods, activities continued by making extensive use of the smart working method, without blocking or interrupting logistics and product distribution activities.

During the March - April 2020 lockdown period, the impact of the restrictive measures adopted by the various national authorities on both domestic and global economic activities led to a significant drop in the demand for the Group's products by European customers and end users, determining a reduction in the Group's revenues, referring to said period, compared to the corresponding months of March - April 2019 for approximately 38% less.

Production Plants in Tunisia.

Despite the interruption of production activities in Tunisia, the Group did not report any delays in the delivery of products or any non-fulfilment of customer orders, thanks to the availability of sufficient stocks of products to cover the commitments undertaken, as well as to the general decline in customer demand during the lockdown period.

In the months following the lockdown in March and April 2020, sales resumed and as at 31 December 2020 the Group's sales recorded an increase compared to 2019 of 8% (with a rise in the sales of Safety Footwear equal to 3.3% compared to 2019, and of Technical Clothing equal to 126.5% compared to 2019).

During the year, the growth in turnover, margins, geographical diversification and widespread distribution throughout the territory continued.

The year 2020 saw the Group generate a result that was still clearly improved compared to the already excellent performances achieved in 2019, not only in terms of overall turnover, but also and above all in terms of profitability (EBITDA).

The total amount of revenues amounted to approximately Euro 173.8 million.

Total production costs amounted to Euro 131 million; the differential between gross operating costs and revenues (EBITDA) was therefore positive for approximately Euro 42.8 million, equal to 24.6% of total turnover.

Amortisation, depreciation and write-downs for the year were accounted for in the amount of Euro 6.7 million; the item relating to financial costs amounted to Euro 1.2 million and basically refers to interest on payables to banks and factoring that financed the normal course of business.
Taxes for the year amounted to approximately Euro 2 million. The year ended with a net profit of approximately Euro 33 million.

During the year, the group confirmed its focus on the strategic strengthening of owned brands, and this allowed it to increase sales especially of medium-high range products with better margins.

In order to achieve these results, the marketing campaigns already undertaken in previous years were continued. In fact, also for 2020, significant advertising investments were made in Italy and in the other European countries where the Group operates; a sponsorship agreement was also signed for the Serie B football championship with AC Monza for the 2020/2021 season; the agreement also includes the naming of the new AC Monza stadium, which in fact took the name of U-Power Stadium; all of this was done with the aim of achieving greater awareness of the U-Power brand.

Certainly the most significant result was obtained with the Red Lion line, which uses, among other materials, an insert in Infinergy with very high energy return and technologies protected by international patents.

The Safety Footwear, in addition to differing from those of competitors for an innovative and cutting-edge design, is characterised by the high quality of the raw materials and components used. The quality is guaranteed both by the processes and design solutions developed internally by the Group in the R&D centres, and by the use of high-performance materials and technical production systems, such as BASF's Infinergy, Boa Fit System and Goretex (as for Goretex, license-based), which guarantee greater safety, comfort and resistance (also thanks to the multi-density soles certified by international patents applied in anti-fatigue footwear).
In addition, the use of high quality materials allows a high standard of safety to be maintained while reducing the weight of the products and thus making the Safety Footwear lighter and more in line with market trends.

U-Power has become one of the best-selling brands in Europe; likewise, the other brands acquired by the Group at the end of 2013 have achieved important and fully satisfactory results.

Jallatte has once again become the absolute reference brand for the French market: the integrated commercial policies and new products have made it possible to significantly improve margins, now largely positive after the first few difficult years.

In this regard, it is important to emphasise that the French subsidiary Jallatte exceeded 32 million in turnover, generating significant profits.

Aimont fits perfectly as a complement to the Jallatte and U-Power collections, guaranteeing a comprehensive product range; in particular, on the French market, sales exceeded expectations and therefore created the basis for acquiring significant market shares in the average product ranges in future years.

NEGAN RED 360 Line.

The service is an integral part in the creation of product value.

The integration of logistics services in the Group has allowed an improvement in the quality of customer service, and has contributed to guaranteeing better profit margins for the Group.

The Technical Clothing division increasingly represents an important strategic growth market for the Group, confirming the synergistic complementarity of the project with respect to the structural distribution of U-Power branded safety footwear.

Sales of clothing amounted to around Euro 13.9 million, up by 127% compared to the previous year, and represent around 8% of the Group's total turnover.

It should be noted that, on 29 June 2020, the parent company U-Invest issued a bond with a nominal value of Euro 25 million, fully subscribed by UniCredit, which also acted as its structurer, and aimed, inter alia, at refinancing some medium-term credit lines disbursed by UniCredit.

During the year, the implementation continued of the new integrated ERP information system for all the companies of the group (Infor M3), which allows for a better management of the "core" processes such as customer service, administration and control, the supply chain and after-sales assistance, in order to have more effective control over operations, provide customers with increasingly better services and obtain more precise control over all activities.

It should be noted that the tax dispute of the subsidiary U-Group against the Italian Revenue Agency in relation to the notice of assessment issued for the year 2007 was settled pursuant to art. 6 of Law Decree no. 119 of 23 October 2018. Following the completion of the procedure for the settlement of the mentioned dispute, the related proceedings are expected to be terminated in relation to the notices of assessment issued for the years 2011 and 2012, with which the Italian Revenue Agency had rejected the use of the adjusted tax losses with the notice of assessment for 2007.

ECONOMIC SITUATION

To better understand the Group's results of operations, a reclassification of the Income Statement is provided below.

INCOME STATEMENT

(Euro thousand)

Item	2020	%	2019	%
TOTAL REVENUES	**173,818**	**100.0%**	**161,048**	**100.0%**
- Consumption of raw materials	(59,718)	-34.4%	(56,488)	-35.1%
- Costs for services and the use of third-party assets	(41,002)	-23.6%	(40,363)	-25.1%
ADDED VALUE	**73,098**	**42.1%**	**64,197**	**39.9%**
- Personnel cost	(28,407)	-16.3%	(27,158)	-16.9%
- Other operating expenses	(1,899)	-1.1%	(1,561)	-1.0%
GROSS OPERATING MARGIN (EBITDA)	**42,792**	**24.6%**	**35,478**	**22.0%**
- Depreciation, amortisation and impairment	(6,707)	-3.9%	(6,656)	-4.1%
OPERATING PROFIT/LOSS (EBIT)	**36,085**	**20.8%**	**28,822**	**17.9%**
+ Financial income and revaluation of financial assets	125	0.1%	149	0.1%
+ Gains (losses) on exchange rates and derivatives	39	0.0%	(705)	-0.4%
- Financial expenses and write-down of financial assets	(1,252)	-0.7%	(1,220)	-0.8%
PRE-TAX INCOME	**34,997**	**20.1%**	**27,046**	**16.8%**
- Income taxes for the year	(1,990)	-1.1%	(8,080)	-5.0%
NET INCOME	**33,007**	**19.0%**	**18,966**	**11.8%**

Total revenues increased by approximately 8% compared to the previous year, reaching Euro 173.8 million (Euro 161 million in 2019). This Growth, thanks to a careful cost containment policy that particularly concerned fixed costs, led to an increase in EBITDA of Euro 7.3 million, i.e. an increase of around 21%, with a percentage value of 24.6% in terms of Ebitda Margin (ratio to total revenues).

EBIT also recorded a positive trend compared to the previous year, reaching Euro 36.1 million, with a 25% increase equal to Euro 7.3 million.
The decrease in financial expenses is essentially due to the reduction in interest rates.

The increase in pre-tax profit is approximately Euro 8 million. The tax rate for the year was 5.7% compared to 29.8% in 2019. This reduction is mainly due to the tax benefits linked to the revaluation of the patent concerning the "Energising safety footwear" and the U-Power trademark carried out by the parent company (please refer to the Explanatory Notes for more details); this revaluation of the trademark and patent is of a cyclical nature and therefore the tax rate for the year 2020 is not intended as an indication for the tax rate of future years.

In this way, the net profit reached Euro 33 million with an increase of 73.6%.

ALTERNATIVE ECONOMIC PERFORMANCE INDICATORS

In order to make the economic and financial performance of the Group easier to understand, the Directors have identified some alternative performance indicators ("Alternative Performance Indicators" or "APIs"). These indicators also help directors identify operating trends and make decisions about investments, resource allocation and other operating decisions.

For a correct interpretation of these APIs, the following should be noted:
(i) these indicators are constructed exclusively from historical data of the Group and are not indicative of the future performance of the Group;
(ii) the APIs are not required by IFRS and, although they are derived from consolidated financial statements, they are not subject to audit;
(iii) these APIs must be read together with the financial information of the Group taken from the consolidated financial statements;
(iv) the definitions of the indicators used by the Group, as they do not derive from the reference accounting standards, may not be homogeneous with those adopted by other Groups and therefore they may not be comparable with them;
(v) the APIs used by the Group are processed with continuity and uniformity in terms of definition and representation for all periods for which financial information is included.

The APIs shown below were selected because the Group believes that EBITDA, EBIT, ROE and ROI, together with other relative profitability indicators, make it possible to illustrate changes in operating performance and provide useful information regarding the Group's ability to incur debt; these indicators are also commonly used by analysts and investors to assess company performance.

The Group's alternative economic performance indicators for the years ended 31 December 2020 and 2019 are presented below.

(Euro thousand)

	Notes	2020	2019
EBIT	1	36,085	28,822
EBIT Margin	1	21%	18%
EBITDA	1	42,792	35,478
EBITDA Margin	1	25%	22%
ROE	2	42%	33%
ROI	3	37%	37%

NOTE 1 - EBIT, EBIT MARGIN, EBITDA, EBITDA MARGIN

EBIT is defined as the sum of net profit for the year, plus income taxes, exchange rate gains (losses), financial income and expenses, and income (expenses) from investment activities.

The Group calculates the EBIT *margin* as the ratio between EBIT and Revenues from contracts with customers.

EBITDA is defined as the sum of net profit for the year, plus income taxes, exchange rate gains (losses), financial income and expenses, income (expenses) from investment activities, and amortisation/depreciation and write-downs.

The Group calculates the EBITDA *margin* as the ratio between EBITDA and Revenues from contracts with customers.

The reconciliation of profit for the year with EBITDA for the years ended 31 December 2020 and 2019 is presented below:

(Euro thousand)

	2020	% total Revenues from contracts with customers	2019	% total Revenues from contracts with customers	2020 vs 2019	2020 vs 2019 %
Profit for the year	33,007	19.1%	18,966	11.9%	14,041	74.0%
+ income taxes	1,990	1.2%	8,080	5.1%	(6,090)	(75.4%)
+ Other income and expenses	(19)	(0.0%)	705	0.4%	(724)	(105.5%)
+ Financial expenses	1,209	0.7%	1,220	0.8%	(11)	(0.9%)
- Financial income	(101)	(0.1%)	(149)	(0.1%)	48	(32.2%)
EBIT	**36,085**		**28,822**		**7,264**	**25.2%**
EBIT *margin*		**20.9%**		**18.0%**		
+ Depreciation, amortisation and write-downs	6,707	3.9%	6,656	4.2%	51	0.8%
EBITDA	**42,792**		**35,478**		**7,315**	**20.6%**
EBITDA *margin*		**24.8%**		**22.2%**		

EBITDA for the year ended 31 December 2020 amounted to Euro 42,792 thousand, up compared to 31 December 2019 by Euro 7,264 thousand (+ 25.2%); in terms of percentage impact on revenues, EBITDA increased from 22.2% for the year ended 31 December 2019 to 24.8% for the year ended 31 December 2020.

The increase in EBITDA recorded during the year is mainly due to the growth in Group revenues consequently, on the one hand, to the expansion of the range of products offered that, by adapting specifically to the different needs of end users, allowed an expansion of the customer base, and, on the other hand, to the enhancement and strategic strengthening of owned brands, obtained through investments in advertising campaigns both in Italy and in the other countries in which the Group operates and sponsorship campaigns, as well as to a slight reduction in the incidence of the fixed cost structure with respect to revenues.

KINDLE RED LION Line.

NOTE 2 - ROE

ROE is the ratio between the net profit for the year and the shareholders' equity at the end of the reference year. The calculation of this ratio for the years ended 31 December 2020 and 2019 is provided below.

(Euro thousand)

	2020	2019
Net profit for the period	33,007	18,966
Equity as at 31 December	78,154	57,421
ROE - Net profit for the period / Equity	**42%**	**33%**

The ROE increased from 33% as at 31 December 2019 to 42% for the year ended 31 December 2020, due to a higher incidence of the profit for the year, compared to the value of the equity generated mainly by the profit of year net of dividends distributed.

NOTE 3 - ROI

ROI is the ratio between the EBIT, as defined in Note 1, and the net invested capital at the end of the reference year. The calculation of this ratio for the years ended 31 December 2020 and 2019 is provided below.

(Euro thousand)

	2020	2019
EBIT	36,085	28,822
Net Invested Capital	97,147	77,081
ROI - Ebit / Net Invested Capital	**37%**	**37%**

ROI as at 31 December 2020 was 37%, stable compared to the previous year.

STATEMENT OF FINANCIAL POSITION

For a better understanding of the Group's financial position, a reclassification of the Balance Sheet is provided below.

BALANCE SHEET

(Euro thousand)

ASSETS	2020	%	2019	%
WORKING CAPITAL	**146,256**	**73.54%**	**117,583**	**72.27%**
Immediate liquidity	**37,989**	**19.10%**	**21,372**	**13.14%**
Cash and cash equivalents	37,989	19.10%	21,372	13.14%
Deferred liquidity	**57,197**	**28.76%**	**48,936**	**30.08%**
Short-term current receivables	57,197	28.76%	48,936	30.08%
Inventories	**51,070**	**25.68%**	**47,275**	**29.06%**
FIXED ASSETS	**52,636**	**26.46%**	**45,123**	**27.73%**
Intangible assets	3,930	1.98%	4,808	2.96%
Tangible assets	28,065	14.11%	27,300	16.78%
Rights of use assets	6,005	3.02%	6,469	3.98%
Other non-current assets	1,355	0.68%	1,044	0.64%
Deferred tax assets	13,281	6.68%	5,502	3.38%
TOTAL ASSETS	**198,892**	**100.00%**	**162,706**	**100.00%**

The excellent performance of the year led to a significant increase in cash and cash equivalents.

The increase in "short-term current receivables" is closely linked to the sales performance as the item is mainly composed of trade receivables (Euro 51,510 thousand).

The value of inventories, shown net of an obsolescence provision of Euro 10,326 thousand, increased compared to the previous year, in order to support the rising sales and always offer a better service.

The item "Intangible assets" refers mainly to the value of the U-Power, Jallatte, Aimont, Almar and Lupos trademarks, relating to the products sold by the Group in the footwear and safety clothing sector.
The value of the Aimont, Almar, Lupos trademarks and other minor trademarks, including patents, totalling Euro 1,278 thousand, corresponds to the purchase value net of the amortisation already incurred.
The value of the U-Power and Jallatte trademarks reported in the financial statements amounts, respectively, to Euro 1,019 thousand and Euro 1,463 thousand, net of amortisation for the year.

As regards trademarks, considered by management as assets with definite useful life and amortised over 10 years, no indicators of impairment or indicators that could identify a different useful life from the current one emerged during the year, based on future plans.

The item "Tangible assets" is net of depreciation and write-downs and is composed of:

- Land and buildings for Euro 11,897 thousand, mainly in Tunisia;
- Plant, machinery and equipment for Euro 15,519, also located mostly in the Tunisian production plants;
- Other assets for Euro 650 thousand.

The value expressed in the financial statements, according to IFRS16, concerning rights of use and lease agreements on property and machinery/equipment is of Euro 6,005 thousand, net of depreciation calculated for the year.

(Euro thousand)

LIABILITIES	2020	%	2019	%
CURRENT LIABILITIES	**78,893**	**39.67%**	**69,437**	**42.68%**
Current financial liabilities	21,203	10.66%	14,584	8.96%
Other short-term payables	57,690	29.01%	54,853	33.71%
CONSOLIDATED LIABILITIES	**41,845**	**21.04%**	**35,848**	**22.03%**
Medium / long-term payables	35,779	17.99%	26,448	16.26%
Deferred taxes	-	0.00%	3,840	2.36%
Provisions for risks and charges	5,052	2.54%	4,637	2.85%
Post-employment benefits	1,014	0.51%	923	0.57%
EQUITY	**78,154**	**39.29%**	**57,421**	**35.29%**
Group Shareholders' Equity	**78,154**	**39.29%**	**57,421**	**35.29%**
Capital	10,000	5.03%	10,000	6.15%
Reserves	12,788	6.43%	12,091	7.43%
Retained earnings (losses)	22,359	11.24%	16,364	10.06%
Profit (loss) for the year	33,007	16.60%	18,966	11.66%
TOTAL LIABILITIES	**198,892**	**100.00%**	**162,706**	**100.00%**

Current financial liabilities are mainly composed of bank loans for Euro 16.2 million and payables to leasing companies and for rights of use for Euro 1.1 million.
The loans under consolidated liabilities are mainly composed of a floating-rate bond of Euro 25 million with maturity on 29 June 2023; medium/long-term bank loans amounting to approximately Euro 9.2 million and payables on rights of use and leases of Euro 5.1 million.

Other payables due within one year include trade payables of Euro 35.9 million, payables due to the parent company of Euro 2.3 million and tax payables of approximately Euro 13.5 million.

The item "provisions for risks and charges" is mainly composed of a provision for a risk on employee contributions and tax risks of the Tunisian branch of approximately Euro 2.3 million, as well as a pension fund and indemnities due to employees of the French branch of approximately Euro 469 thousand and the compensation for termination of agent contracts of Euro 1,805 thousand of the subsidiary U-Group.

The item post-employment benefits refers to the Italian companies (the parent company U-Invest, U-Group, U-Logistics and Altek Europe) and to its valuation for IAS purposes follows the method of projection of the present value of the defined benefit obligation with the estimate of the benefits accrued by personnel.

The following table shows the change in Net Financial Indebtedness:

(Euro thousand)

Net Financial Indebtedness	2020	2019	Change
Current financial liabilities	(21,203)	(14,584)	(6,619)
Medium / long-term payables	(35,779)	(26,448)	(9,331)
Cash and cash equivalents	37,989	21,372	16,617
	(18,993)	**(19,660)**	**667**

The excellent economic results generated an improvement in net financial indebtedness, which, as can be seen, improved during the year by Euro 667 thousand.

The following table shows the reconciliation between shareholders' equity and profit for the year of the Parent Company and the consolidated financial statements:

(Euro thousand)

	Equity as at 31 December 2020	Profit for the year 2020
As per the statement of financial position and income statement of U-Invest S.r.l.	78,286	20,125
Surplus shareholders' equity, including the results for the year with respect to the carrying values of the equity investments	19,007	25,573
Consolidation adjustments	(19,139)	9,445
Elimination of dividends	-	(22,136)
As per consolidated financial statements	78,154	33,007

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ALTERNATIVE FINANCIAL PERFORMANCE INDICATORS

The APIs were developed in accordance with the ESMA/2015/1415 guidelines.

For a correct interpretation of these APIs, the following should be noted:

(i) these indicators are constructed exclusively from historical data of the Group and are not indicative of the future performance of the Group;

(ii) the APIs are not required by IFRS and, although they are derived from consolidated financial statements, they are not subject to audit;

(iii) these APIs must be read together with the economic information of the Group taken from the consolidated financial statements;

(iv) the definitions of the indicators used by the Group, as they do not derive from the reference accounting standards, may not be homogeneous with those adopted by other Groups and therefore they may not be comparable with them;

(v) the APIs used by the Group are processed with continuity and uniformity in terms of definition and representation for all periods.

The APIs listed below were selected and represented since the Group believes that:

- the net financial indebtedness, together with other balance sheet indicators for the composition of assets and liabilities and financial elasticity indicators, allow a better assessment of the overall level of capital strength of the Group and its ability to maintain a structural equilibrium over time;
- the net working capital, the operating working capital, the fixed assets and the net invested capital allow a better assessment of both the ability to meet short-term commercial commitments through current trade assets, and the consistency between the structure of loans and that of funding sources in terms of time.

The Alternative Balance Sheet and Financial Performance Indicators for the years ended 31 December 2020 and 2019 of the Group are presented below.

(Euro thousand)

	Notes	2020	2019
Availability index	1	(1.95)	(2.04)
Net working capital	2	52,830	49,131
Net operating capital	2	47,778	44,494
Fixed assets	2	52,636	45,123
Net invested capital	2	97,147	77,081
Net invested capital / Equity ratio	2	1.24	1.34
Net financial indebtedness / EBITDA ratio	3	0.44	0.55
Fixed assets / Invested capital ratio	4	40.5%	51.4%
Own funds / Invested capital ratio	5	0.80	0.74
Financial expenses / EBITDA ratio	6	0.03	0.03
Trade receivables turnover ratio	7	3.3	3.7
Average days of collection of trade receivables	7	109	98
Trade payables turnover ratio	8	2.4	2.7
Average days of payment of trade payables	8	152	134
Inventory turnover ratio	9	3.5	3.8
Average days spent in the warehouse	9	104.0	96.1

NOTE 1 - AVAILABILITY INDEX

The availability index is defined as the ratio between: (i) the sum of trade receivables, other current assets and inventories, and (ii) short-term non-financial payables, calculated as the sum of trade payables and other current liabilities. The calculation of this ratio for the years ended 31 December 2020 and 2019 is provided below.

(Euro thousand)

	2020	2019
Trade receivables (A)	51,510	42,697
Other current assets (B)	5,675	6,105
Inventories (C)	51,070	47,275
Trade payables (E)	(41,815)	(35,534)
Other current liabilities (F)	(13,622)	(11,546)
Short-term non-financial payables (G) = (E) + (F)	(55,437)	(47,080)
Availability index (H) = (A+B+C) / G	**(1.95)**	**(2.04)**

The availability index as at 31 December 2020 was 1.95, compared to 2.04 as at 31 December 2019. This ratio was essentially stable, moving from 2.04 to 1.95, due to (i) an increase in trade receivables and inventories of Euro 8,800 thousand and Euro 3,796 thousand, respectively, the effect of which is offset by (ii) an increase in trade payables and other current liabilities of Euro 5,934 thousand and Euro 2,075 thousand, respectively.

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NOTE 2 - NET WORKING CAPITAL, NET OPERATING CAPITAL, FIXED ASSETS, NET INVESTED CAPITAL AND NET INVESTED CAPITAL / EQUITY RATIO

The ratio between net invested capital and equity, defined as debt ratio or Leverage, is the ratio between net invested capital and equity.

Details of the calculation of the Net Working Capital, Net Operating Capital, Fixed Assets and Net Invested Capital as at 31 December 2020 and 2019 are shown below:

(Euro thousand)

	2020	2019	2020 vs 2019	2020 vs 2019 %
LOANS				
Net working capital	52,830	49,131	3,699	7.5%
Provisions for risks and charges	(5,052)	(4,637)	(415)	8.9%
Net operating capital	47,778	44,494	3,284	7.4%
Intangible assets	3,930	4,808	(878)	(18.3%)
Property, plant and equipment	34,070	33,769	301	0.9%
Other non-current assets	1,355	1,044	311	29.8%
Deferred tax assets	13,281	5,502	7,779	141.4%
Fixed assets	52,636	45,123	7,513	16.7%
Liabilities for employee benefits	(1,014)	(923)	(91)	9.9%
Payables to related parties	(2,253)	(7,773)	5,520	(71.0%)
Deferred tax liabilities	-	(3,840)	3,840	(100.0%)
Net invested capital	**97,147**	**77,081**	**20,066**	**26.0%**
SOURCES				
Equity	78,154	57,421	20,733	26.5%
Net financial indebtedness	18,993	19,660	(667)	(3.5%)
Total sources	**97,147**	**77,081**	**20,066**	**20.7%**

The Net Invested Capital / Equity ratio as at 31 December 2020 and 2019 is calculated as follows:

(Euro thousand)

	2020	2019
Net invested capital (A)	97,147	77,081
Equity (B)	78,154	57,421
Ratio - Net invested capital / Equity (C) = (A) / (B)	**1.24**	**1.34**

The ratio between net invested capital and equity was 1.24 as at 31 December 2020, compared to 1.34 as at 31 December 2019 and 1.57 as at 31 December 2018. This ratio shows a decrease of 0.10, due to an increase in net invested capital of Euro 20,066 thousand, less than proportional to the increase in equity of Euro 20,733 thousand.

NOTE 3 - NET FINANCIAL INDEBTEDNESS / EBITDA RATIO

The ratio between net financial indebtedness and EBITDA is given by the ratio between (i) net financial indebtedness and (ii) EBITDA.
The calculation of this ratio for the years ended 31 December 2020 and 2019 is provided below:

(Euro thousand)

	2020	2019
Net financial indebtedness (A)	18,993	19,660
EBITDA (B)	42,792	35,478
Ratio - Net financial indebtedness (A) / EBITDA (C) = (A) / (B)	**0.44**	**0.55**

The ratio between net financial indebtedness and EBITDA was 0.44 as at 31 December 2020, compared to 0.55 as at 31 December 2019. This ratio shows a decrease of 0.11, due to the combined effect of: (i) a lower net financial indebtedness of Euro 667 thousand, and (ii) a higher EBITDA of Euro 7,314 thousand.

NOTE 4 - FIXED ASSETS / NET INVESTED CAPITAL RATIO

The ratio of fixed assets to net invested capital is the ratio of (i) fixed assets, defined as the sum of tangible assets, intangible assets and goodwill and (ii) net invested capital, as defined in Paragraph 8.2 of this Section.
The calculation of this ratio for the years ended 31 December 2020 and 2019 is provided below:

(Euro thousand)

	2020	2019
Fixed assets (A)	39,355	39,621
Net invested capital (B)	97,147	77,081
Fixed assets / Net invested capital (A / B)	**40.5%**	**51.4%**

The ratio of fixed assets to net invested capital was 40.5% as at 31 December 2020, compared to 51.4% as at 31 December 2019. This ratio shows a decrease of 10.9%, mainly due to the increase in net invested capital of Euro 20,066 thousand (+ 26.0%), due to the profits achieved during the year.

NOTE 5 - OWN FUNDS / NET INVESTED CAPITAL RATIO

The ratio between own funds and invested capital, defined as an indicator of financial autonomy, is the ratio between (i) equity and (ii) invested capital and indicates the ability of the company to finance itself without resorting to external sources of financing.
The calculation of this ratio for the years ended 31 December 2020 and 2019 is provided below:

(Euro thousand)

	2020	2019
Own funds (A)	78,154	57,421
Net invested capital (B)	97,147	77,081
Own funds / Net Invested Capital (A / B)	**0.80**	**0.75**

The ratio of own funds to net invested capital was 0.80 as at 31 December 2020, compared to 0.75 as at 31 December 2019. This ratio shows an increase of Euro 0.05 thousand, due to (i) an increase in equity of Euro 20,733 thousand (by virtue of profits earned, net of dividends distributed), more than proportional to the (ii) increase in invested capital of Euro 20,067 thousand.

NOTE 6 - FINANCIAL EXPENSES / EBITDA RATIO

The ratio between financial expenses and EBITDA indicates the impact of the cost of financial indebtedness on EBITDA and is given by the ratio between (i) financial expenses and (ii) EBITDA.
The calculation of this ratio for the years ended 31 December 2020 and 2019 is provided below:

(Euro thousand)

	2020	2019
Financial expenses (A)	1,208	1,220
EBITDA (B)	42,792	35,478
Financial expenses/ EBITDA (A / B)	**0.03**	**0.03**

The ratio between net financial indebtedness and EBITDA was 0.03 as at 31 December 2020, compared to 0.03 as at 31 December 2019. This ratio is essentially stable.

NOTE 7 - TRADE RECEIVABLES TURNOVER RATIO AND AVERAGE COLLECTION DAYS

The trade receivables turnover ratio is calculated as the ratio between revenues and trade receivables at the reference date. The average days of collection of trade receivables are calculated as the ratio between trade receivables at the reference date and revenues multiplied by 365.
Details of the receivables turnover ratio and the evolution of the average collection times as at 31 December 2020 and 2019 are shown below.

(Euro thousand)

	2020	2019
Revenues from contracts with customers (A)	172,536	159,791
Trade receivables (B)	51,510	42,697
Trade receivables turnover ratio (A/B)	**3.3**	**3.7**
Average days of collection of trade receivables (B/A)*365	**109**	**98**

Note: the determination and trends of the ratios shown in the table are also influenced by the value added tax component which, given the global scale of the Group's commercial relations, is not homogeneously applied in all subsidiaries.
The trade receivables turnover ratio was 3.3 as at 31 December 2020, compared to 3.7 as at 31 December 2019.
The average days of collection of trade receivables are 109 as at 31 December 2020 and 98 as at 31 December 2019.
The ratios shown above show a decrease of 0.4 and an increase of 11 days respectively, mainly due to the rise in the customer base.

NOTE 8 - TRADE PAYABLES TURNOVER RATIO AND AVERAGE PAYMENT DAYS

The payables turnover ratio is calculated as the ratio between (i) the sum of costs for consumable raw materials and costs for services and (ii) trade payables at the reference date.
The average days of payment of trade payables are calculated as the ratio between (i) trade payables at the reference date and (ii) the sum of costs for consumable raw materials and costs for services, multiplied by 365.
Details of the payables turnover ratio and the evolution of the average payment times as at 31 December 2020 and 2019 are shown below.

(Euro thousand)

	2020	2019
Consumption of raw materials and consumables	59,718	56,488
Cost of services	41,002	40,363
subtotal (A)	100,720	96,851
Trade payables (B)	41,815	35,534
Trade payables turnover ratio (A/B)	**2.4**	**2.7**
Average days of payment of trade payables (B/A)*365	**152**	**134**

Note: the determination and trends of the ratios shown in the table are also influenced by the value added tax component which, given the global scale of the Group's commercial relations, is not homogeneously applied in all subsidiaries.
The trade payables turnover ratio was 2.4 as at 31 December 2020, compared to 2.7 as at 31 December 2019.
The average days of payment of trade payables are 152 as at 31 December 2020 and 134 as at 31 December 2019.
The ratios presented above show a decrease of 0.3 and an increase of 18 days, respectively, due mainly to the higher balance of trade payables following the higher turnover achieved by the company.

Production Plants in Tunisia.

NOTE 9 - INVENTORY TURNOVER RATIO AND AVERAGE DAYS SPENT IN THE WAREHOUSE

The inventory turnover ratio is calculated as the ratio between revenues and inventories at the reference date.
The details of the calculation of the turnover ratio and of the average days of rotation of inventories for the years ended 31 December 2020 and 2019 are shown below:

(Euro thousand)

	2020	2019
Revenues from contracts with customers (A)	172,536	159,791
Inventories as at 1 January (B1)	47,274	36,896
Inventories as at 31 December (B2)	51,070	47,275
Average inventories (B) = (B1+B2)/2	49,172	42,085
Inventory turnover ratio (A/B)	**3.5**	**3.8**
Average days spent in the warehouse (B/A)*365	**104**	**96**

Note: the determination and trends of the ratios shown in the table are also influenced by the value added tax component which, given the global scale of the Group's commercial relations, is not homogeneously applied in all subsidiaries.
The turnover ratio is calculated on average inventories as at 31 December 2020 and 2019 and on total revenues from contracts with customers as at 31 December 2020 and 2019. This ratio is influenced by (i) increasing average inventories, (ii) the increase in revenues. The average number of days of rotation was 104 as at 31 December 2020 and 96 as at 31 December 2019.
The inventory turnover ratio was 3.5 as at 31 December 2020, compared to 3.8 as at 31 December 2019.
The ratios presented above show a decrease of 0.3 and an increase of 8 days, respectively, mainly due to the increase in stocks of finished products necessary to meet the rising demand.

INFORMATION PURSUANT TO ART. 2428 OF THE ITALIAN CIVIL CODE

The information specifically required by the provisions of art. 2428 of the Italian Civil Code is analysed below.

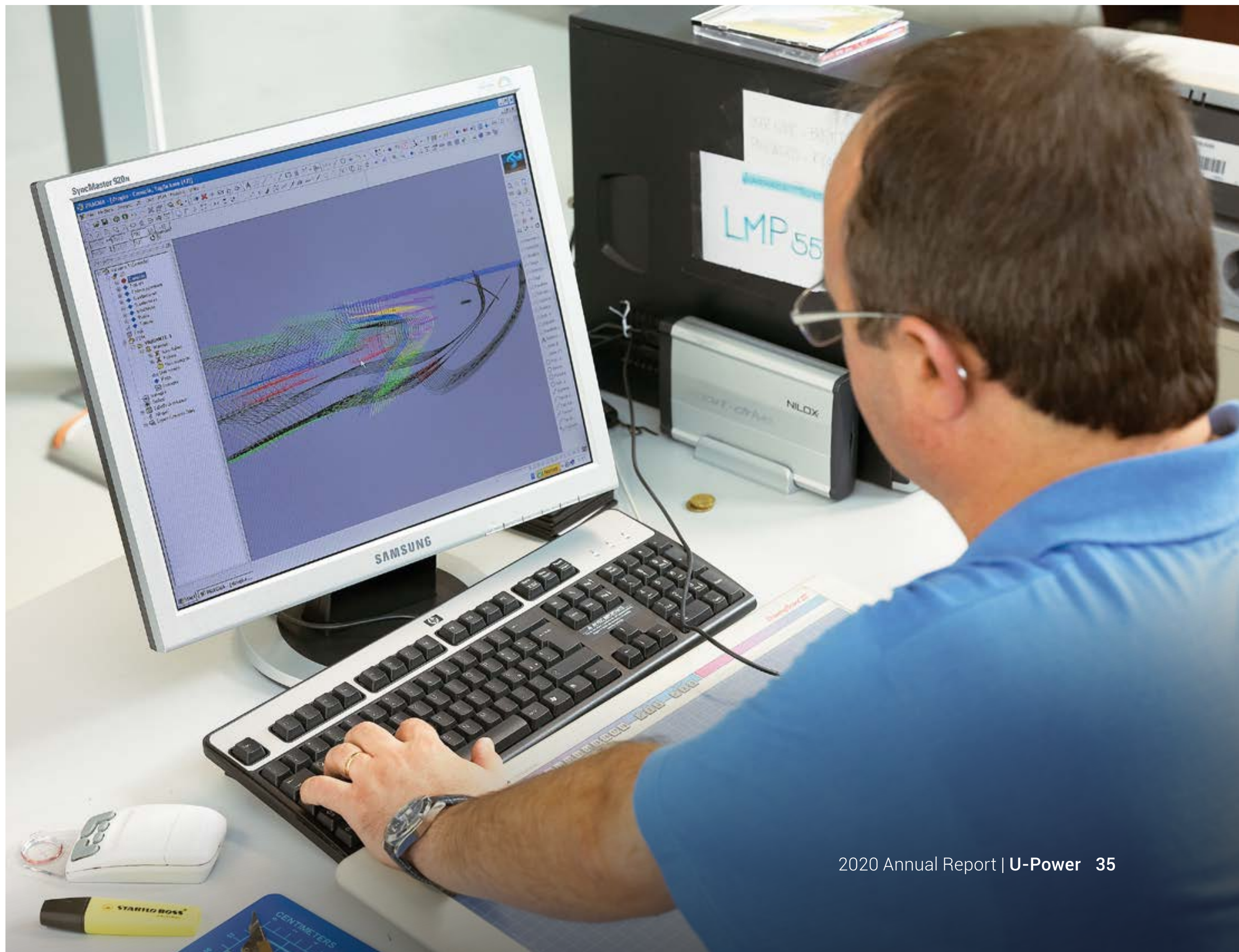
RESEARCH AND DEVELOPMENT ACTIVITIES

In a highly competitive market context, the success of the Group depends on the ability to maintain and increase market shares through the launch of innovative products with high quality standards, which consequently guarantee higher levels of profitability.

The Group owns two research and development laboratories in Italy: one located in Paruzzaro (NO) and the other in Trani (BT), which develop new models and collections every year.

The R&D activities are oriented, on the one hand, to the constant search for and identification of raw materials, materials and production components and/or production techniques able to improve and increase the efficiency of the quality and technological standards of the products (in addition to

Modeling Department.



determining the absence of defects), also depending on the evolution of customer needs and the reference regulatory parameters and, on the other hand, to the constant innovation of the models and style of the products offered on the market, depending on the reference target - geographical area and production sector (industry; agriculture; tertiary services, with respective sub-markets by nature and type of activity).

Much of the strategic development is based on R&D activities aimed at developing products, conceiving and defining new high-tech and high-quality models, also able to prevent the risks of musculoskeletal disorders, as well as guaranteeing the safety of end users while pursuing a development that is attentive to social, environmental and economic issues. Design and the study of trends are a priority in the development and implementation of new concepts and models. Moreover, given the importance of the ergonomic aspects necessary to provide answers to the problems of safety and well-being at work, the Group's R&D activity has recently also focused on an in-depth analysis of the workstations and ergonomic work processes, which these are the primary conditions for the well-being of workers during their professional activity.

The expenses incurred for research and development were considered as operating costs and charged entirely to the income statement.

RELATIONS WITH PARENT COMPANIES AND RELATED PARTIES

Transactions with parent companies (also indirectly) and related parties at the end of the year were carried out at market value and are summarised below:

	Receivables	Payables	Revenues	Costs
FIN REPORTER S.r.l. (parent company)	9	2,253	0	173
PFU S.r.l. (related company)	4	0	4	0
Grand total	**12**	**2,253**	**4**	**173**

Payables to the parent company are mainly due to the tax consolidation, which will be paid when taxes are paid.

INFORMATION ON THE ENVIRONMENT AND PERSONNEL

It should be noted that the company carries out its activities in compliance with the provisions on the environment and hygiene in the workplace and safety pursuant to Legislative Decree 81/2008.

At present, there is no significant information. This information will be provided every time there are concrete, tangible and significant environmental impacts that are such to generate potential financial and income consequences for the Company.
In relation to personnel, note that during the year:

- no serious accidents occurred in the workplace;
- there were no charges relating to occupational illnesses on employees or former employees and/or other cases for which the Group companies were declared liable.

With reference to the working environment, it is noted that during 2019:

- there was no damage caused to the environment for which the group companies were found guilty;
- no penalties or sanctions were imposed on the group companies for environmental offences or damages.

Injection department.

MAIN RISK FACTORS TO WHICH THE COMPANY IS EXPOSED

Pursuant to and for the purposes of the first paragraph of art. 2428 of the Italian Civil Code, a description of the main risks and uncertainties to which the Group is exposed is provided below:

A) MARKET RISKS:

Market risk refers to the performance of the personal protective equipment market, and in particular of safety footwear and clothing in which the Group operates.
The Group has implemented policies aimed at increasing penetration of the reference markets and actions aimed at rationalising and strengthening the sales structure, managing to increase sales both at national and European level. It should be noted that the end markets of company products and the conditions of uncertainty that have characterised them for several years are constantly monitored.

B) CREDIT RISKS:

Credit risk refers to particular financial instruments used (i.e. bank deposits, checks, cash and securities in hand) and to the risk towards customers. In both cases, there are no particular risks, although it should be noted that delays remain in the collection of receivables, as already occurred historically, and are to be considered physiological.
Exposure to customers is in any case broken down into a high number of customers operating in different product sectors and markets.
The financial strength of the main customers is in any case monitored regularly through the use of information and customer assessment procedures and any risks are covered in the financial statements by appropriate provisions.

Finally, it should be noted that the vast majority of the receivables of the French company are covered by credit insurance.

C) LIQUIDITY RISKS

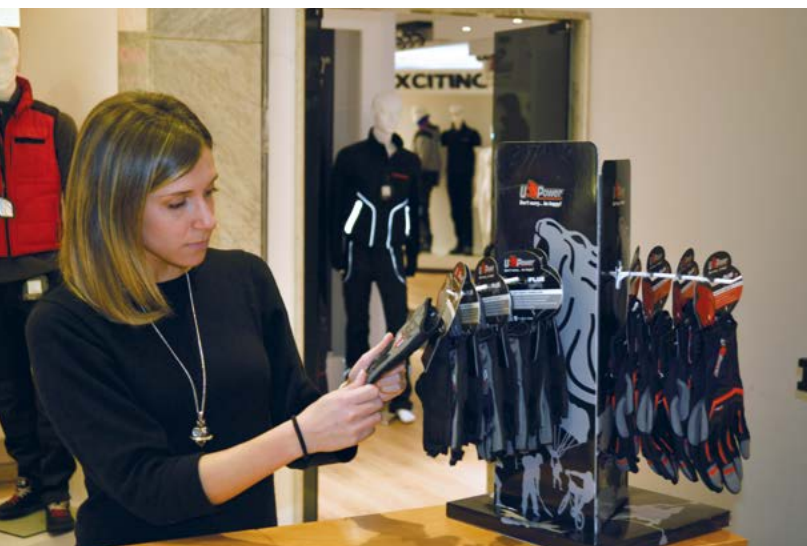
The liquidity risk, understood as the failure to obtain the adequate financial resources needed for operations and for the repayment of payables, including financial ones, as well as for the development of industrial and commercial activities, is to

be considered under control. The liquidity risk is limited thanks to the Group's credibility on the reference financial markets.

With regard to loans from the credit system, the response was very positive throughout the year and the Group now has an adequate amount of credit available to be used in case of need to finance the working capital; in any event, further actions are underway to increase and improve the credit lines.

Liquidity risk management is mainly based on the strategy of containing debt, self-financing and maintaining financial balance.

POP Exhibition.



D) INTEREST RATE RISKS

The risk of fluctuations in interest rates is essentially linked to medium / long-term loans negotiated at floating rates. Any fluctuations in interest rates could consequently have negative effects on the Group's economic and financial situation.

The Group's approach to managing interest rate risk is to hedge the risk through interest rate swaps, recognised in the financial statements at fair value. The Group's approach to managing interest rate risk is therefore prudent.

E) RISKS ASSOCIATED WITH EXCHANGE RATE TRENDS

The procurement markets are also outside Europe, with transactions also taking place in US dollars.

The Group's policy does not envisage the assumption of speculative risks, but actions that may limit unwanted fluctuations are evaluated: the financial risks associated with exchange rate fluctuations are constantly monitored and the Group, if necessary, activates specific hedges by signing various forward currency contracts.

During the year, it was not considered appropriate to hedge against exchange rate fluctuations.

F) COVID-19 PANDEMIC RISK

Following the uncontrolled spread of Covid-19 and the consequent health emergency, starting from mid-March 2020, all production activities were gradually locked down in the various countries where the Group operates. Similarly to what happened in Italy, also in France and subsequently in Tunisia, measures were taken to contain the pandemic by closing production activities and activating smart-working (if applicable).

The Group is following developments related to the spread of Covid-19 closely and has, from the very outset, adopted all the necessary organisational, control and prevention measures recommended by the Ministry of Health.

BUSINESS OUTLOOK

From a corporate point of view, the Group has planned to streamline its structure by 2021 to make it more efficient through the merger of the Tunisian companies Belbis and Granbis into Martek Sarl, and the Italian company Altek Europe into U-Group SrL; Moreover, the liquidation of the German subsidiary Lupos GmbH was started, transferring the commercial activity to U-Group srl.

For the German market, the intention is to implement a widespread distribution network throughout the country, with the same synergic footwear / clothing approach already developed in Italy, while supporting market penetration through television advertising focusing on:

- Italian design;
- certified technological content and comfort;
- brand awareness.

In the course of 2021, the Group expects to improve the lines most recently introduced in its product range and to introduce new ones in line with the developments of the individual markets, always leveraging its position of technological and design leadership.

The Group continuously develops new solutions and products. The Group's marked capacity for innovation allows it to renew around 20% of the product catalogue every year, guaranteeing an offer that is always at the cutting edge and in line with customer expectations.

The Group continues to closely monitor developments in the spread of the Coronavirus both for the health-related impact it can have on employees (all necessary organisational, control and prevention measures are adopted, informing employees about the behaviour and the interpersonal distances to be maintained, equipping them with the necessary healthcare devices) and in terms of the macroeconomic impact that Covid-19 can have on the reference markets; the Group does not expect negative impacts for the year 2021 or in the next few years.

At present, the economic and financial impact resulting from the health emergency cannot be concretely quantified. Despite the problems linked to the health situation, the company confirms its commitment to growth also for the current year by leveraging investments in new products and customer service.

The excellent results of 2020 also justify the desire to confirm the strong advertising investments for the year 2021.

The Group thus expects to confirm its leadership in the end markets for the current year, supported by the technological leadership and the Italian design of its collections, with a view to continuous enhancement of the brands marketed.

OTHER INFORMATION

Pursuant to art. 2428, paragraphs 3 and 4 of the Italian Civil Code, it should be noted that the company does not hold, nor did it hold during the year, treasury shares or shares of parent companies.

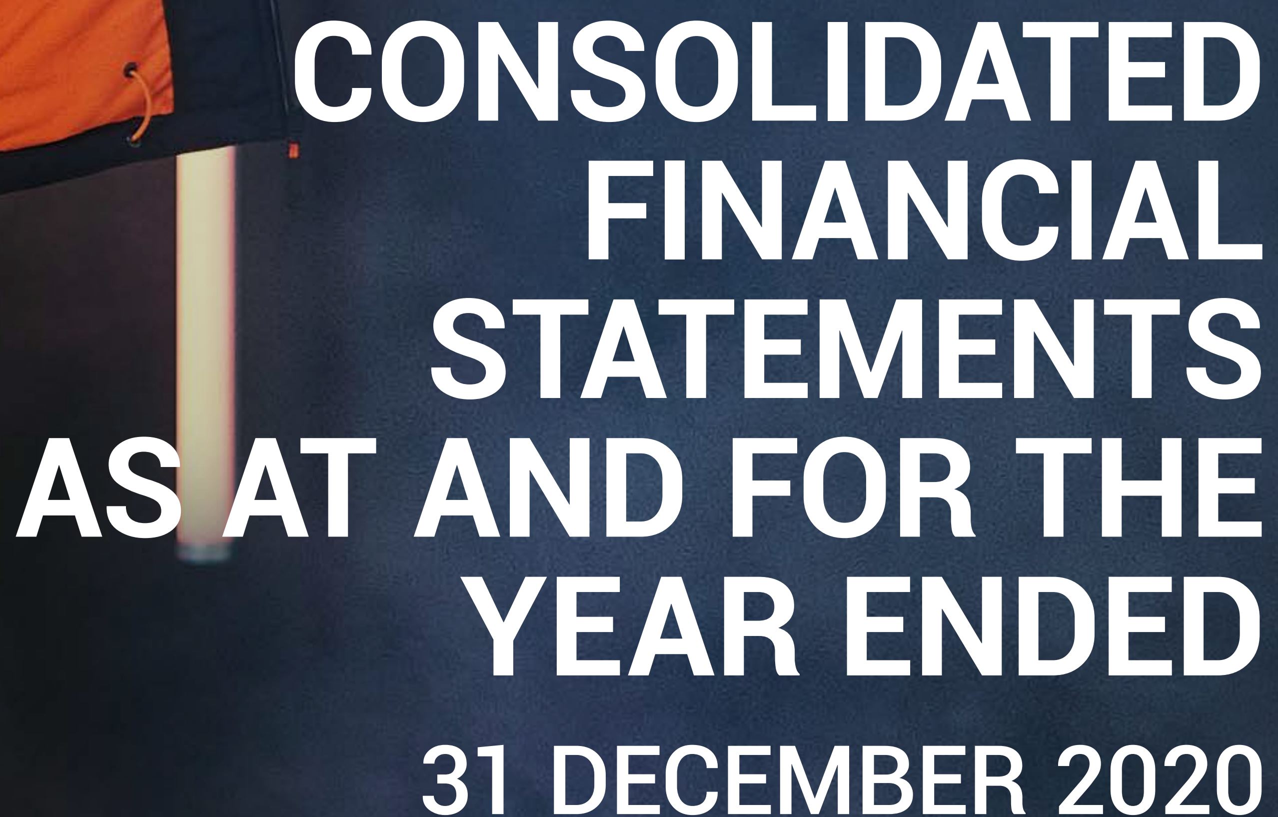
The Italian subsidiary U-Group also has representative offices in France, Germany, Spain and the United Kingdom.

* * * * *

Paruzzaro, 22 February 2021

The Chairman of the Board of Directors
(Pier Franco Uzzeni)

U-Power



CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED

31 DECEMBER 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

ASSETS

(Euro thousand)

	NOTES	31-Dec-20	31-Dec-19
NON-CURRENT ASSETS			
Intangible assets	8	3,930	4,808
Property, plant and equipment	9	28,065	27,300
Rights-of-use assets	10	6,005	6,469
Deferred tax assets	11	13,281	5,502
Other non-current assets	12	1,355	1,044
Total Non-current assets		**52,636**	**45,123**
CURRENT ASSETS			
Inventories	13	51,070	47,275
Trade receivables	14	51,510	42,697
Receivables from related parties	15	12	134
Tax receivables	16	1,026	1,948
Other current assets	17	4,649	4,157
Cash and cash equivalent	18	37,989	21,372
Total Current assets		**146,256**	**117,583**
TOTAL ASSETS		**198,892**	**162,706**

EQUITY AND LIABILITIES

(Euro thousand)

	NOTES	31-Dec-20	31-Dec-19
EQUITY	19		
Share capital		10,000	10,000
Other reserves		4,188	3,491
Capital contributions reserve		8,600	8,600
Retained earnings		22,359	16,364
Profit for the year		33,007	18,966
Total Group Equity		**78,154**	**57,421**
Minority interest		-	-
Total Equity		**78,154**	**57,421**
NON-CURRENT LIABILITIES			
Employee benefit obligations	20	1,014	923
Provisions	21	5,052	4,637
Non-current financial liabilities	22	35,779	26,448
Deferred tax liabilities	11	-	3,840
Total Non-current liabilities		**41,845**	**35,848**
CURRENT LIABILITIES			
Current financial liabilities	22	21,203	14,584
Trade payables	23	41,815	35,534
Payables to related parties	39	2,253	7,773
Income tax payables	24	8,903	6,501
Other current liabilities	25	4,719	5,045
Total Current liabilities		**78,893**	**69,437**
TOTAL LIABILITIES		**120,738**	**105,285**
TOTAL EQUITY AND LIABILITIES		**198,892**	**162,706**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED AT 31 DECEMBER 2020

(Euro thousand)

	NOTES	31-Dec-20	31-Dec-19
Revenues from contracts with customers	26	172,536	159,791
Other income	27	1,282	1,257
Total revenues and other income		**173,818**	**161,048**
Raw materials, consumables and supplies	28	(59,718)	(56,488)
Personnel costs	29	(28,407)	(27,158)
Cost of services	30	(41,002)	(40,363)
Other operating expenses	31	(1,899)	(1,561)
Depreciation	32	(6,355)	(6,279)
Impairment	33	(352)	(377)
Operating profit		**36,085**	**28,822**
Financial income	34	101	149
Financial expenses	35	(1,208)	(1,220)
Other financial income and expense	36	19	(705)
Profit before tax		**34,997**	**27,046**
Income tax expenses	37	(1,990)	(8,080)
Group profit for the year		**33,007**	**18,966**
Third-party profit for the year		-	-
Profit for the year		**33,007**	**18,966**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED AT 31 DECEMBER 2020

(Euro thousand)

	NOTES	2020	2019
Profit for the year	**19**	**33,007**	**18,966**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax): *Net gain/(loss) on cash flow hedges*	22	(13)	(38)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax)		**(13)**	**(38)**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax): *Remeasurement gain/(loss) on defined benefit plans*	20	(11)	(41)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**(11)**	**(41)**
Other comprehensive income/(loss) for the year, net of tax		**(24)**	**(79)**
Total Group comprehensive income for the year, net of tax		**32,983**	**18,887**
Total comprehensive income for the year, net of third-party tax		-	-
Total comprehensive income for the year, net of tax		**32,983**	**18,887**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED AT 31 DECEMBER 2020 AND 2019

(Euro thousand)

	Share capital	Other reserves	Capital contributions reserves	Retained earnings	Profit for the year	Total Equity	Minority interest	Total Equity
NOTES	19	19	19	19	19	19	19	19
As at 1 January 2019	**10,000**	**3,090**	**8,600**	**4,381**	**19,463**	**45,534**	**-**	**45,534**
Allocation of prior year profit	-	480	-	18,983	(19,463)	-	-	-
Dividends	-	-	-	(7,000)	-	(7,000)	-	(7,000)
Profit for the year	-	-	-	-	18,966	18,966	-	18,966
Other comprehensive income	-	(79)	-	-	-	(79)	-	(79)
Balance as at 31 December 2019	**10,000**	**3,491**	**8,600**	**16,364**	**18,966**	**57,421**	**-**	**57,421**
Allocation of prior year profit	-	721	-	18,245	(18,966)	-	-	-
Dividends	-	-	-	(12,250)	-	(12,250)	-	(12,250)
Profit for the year	-	-	-	-	33,007	33,007	-	33,007
Other comprehensive income	-	(24)	-	-	-	(24)	-	(24)
Balance as at 31 December 2020	**10,000**	**4,188**	**8,600**	**22,359**	**33,007**	**78,154**	**-**	**78,154**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AT 31 DECEMBER 2020

(Euro thousand)

	NOTES	2020	2019
Operating Activities:			
PROFIT FOR THE YEAR		**33,007**	**18,966**
Adjustments to reconcile profit to net cash flows:			
Amortisation and impairment of intangible assets	*8-32*	*1,033*	*1,125*
Depreciation and impairment of property, plant and equipment	*9-32*	*4,134*	*3,653*
Depreciation and impairment of right-of-use assets	*10-32*	*1,188*	*1,500*
Financial income	*34*	*(101)*	*(149)*
Financial expenses	*35*	*1,209*	*1,219*
Other net financial income and expense	*36*	*(19)*	*705*
Income tax expenses	*37*	*1,990*	*8,080*
Write-down of current assets	*33*	*352*	*378*
Subtotal of operating activities		**42,792**	**35,477**
Change in employee benefit obligations	*20*	*72*	*44*
Changes in provisions	*21*	*415*	*754*
Interest paid		*(813)*	*(1,223)*
Income taxes paid		*(11,761)*	*(4,995)*
Net foreign exchange differences	*36*	*39*	*(705)*
Changes in working capital:			
Changes in inventories	*13*	*(3,795)*	*(10,378)*
Changes in trade receivables	*14*	*(9,117)*	*(5,694)*
Changes in other non-financial receivables		*523*	*(974)*
Changes in trade payables	*23*	*6,341*	*6,804*
Changes in other non-financial liabilities		*(2,677)*	*1,547*
NET CASH FLOWS FROM OPERATING ACTIVITIES		**22,019**	**20,656**
Investing activities:			
Investments in intangible assets	*8*	*(155)*	*(186)*
Investments in property, plant and equipment	*9*	*(4,899)*	*(5,187)*
Increase/(decrease) in financial assets		*(297)*	*(997)*
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(5,350)**	**(6,370)**
Financing activities:			
Proceeds from non-current borrowings	*22*	*40,750*	*7,500*
(Repayment) of non-current borrowings	*22*	*(27,018)*	*(7,363)*
Net change in other current financial assets/liabilities	*22*	*1,154*	*3,705*
Dividends paid	*19*	*(14,938)*	*(4,780)*
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**(52)**	**(937)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**16,617**	**13,348**
Cash and cash equivalents at the beginning of the year	18	21,372	8,024
Cash and cash equivalents at the end of the year		**37,989**	**21,372**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

U-Invest S.r.l. is a limited liability company, registered and domiciled in Italy.
The registered office is in Paruzzaro (NO), in via Borgomanero 50.
Note 6 presents information on the Group's structure.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations (IFRIC) in force as at 31 December 2020, as implemented by the European Commission.
The consolidated financial statements have been prepared on a historical cost basis, with the exception of the financial statement items that, according to IFRS have been measured at fair value, as indicated in the summary of significant accounting policies.
The book value of recognised assets and liabilities that are hedged items in fair value hedges and that would otherwise be recognised at amortised cost, is adjusted to recognise changes in fair value attributable to the risks that are being hedged.
The consolidated financial statements comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes.
The Company has chosen, from the different options permitted by IAS 1, to present the statement of financial position items according to the "current/non-current" distinction and the income statement by classifying costs by nature. The statement of cash flows is instead prepared using the indirect method.
It should be noted that some items of the 2019 financial statements have been reclassified with respect to the originally published financial statements, for a better comparability with the 2020 figures.
The consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand Euros, unless indicated otherwise.
The consolidated financial statements provide comparative information relating to the previous year.

2.2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of U-Invest S.r.l. and its subsidiaries as at 31 December 2020.
Control is achieved when the Group is exposed to or has the right to the variable returns deriving from its involvement with the investee and, at the same time, has the ability to influence these returns by exercising its power over said entity.

Specifically, the Group controls an investee if, and only if, it has:
- power over the investee (or holds valid rights that give it the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns deriving from its involvement with the investee;
- the ability to exercise its power over the investee to influence the amount of its returns.

Generally, it is presumed that a majority of voting rights results in control. To support this presumption and when the Group holds less than a majority of voting rights (or similar rights) of an investee, the Group considers all relevant facts and circumstances in assessing whether it controls the investee, including:
- Contractual agreements with other holders of voting rights;
- Rights deriving from contractual agreements;
- Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there have been changes to one or more of the three relevant elements of the definition of control. The consolidation of a subsidiary starts when the Group obtains control of it and ceases when the Group loses control of it. Assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.
The profit (loss) for the year and each of the other components of comprehensive income are attributed to the shareholders of the parent company and to minority interests, even if that implies that the minority interests have a negative balance. When necessary, the appropriate adjustments are made to the financial statements of the subsidiaries, in order to guarantee compliance with the group accounting policies. All intra-group assets and liabilities, equity, revenues, costs and cash flows relating to transactions between group entities are eliminated in full on consolidation phase.
Changes in the ownership interest of a subsidiary, without a loss of control, are booked at equity.
If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, minority interests and other equity's components, while any profit or loss is recognised in the income statement. Any equity investment retained must be recognised at fair value.

2.3. SUMMARY OF THE MAIN ACCOUNTING STANDARDS

2.3.1. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the aggregate of the consideration transferred, measured at fair value at the acquisition date, and the amount of any minority interest in the acquiree. For each business combination, the Group defines whether to measure the minority interest in the acquiree at fair value or in proportion to the share of the minority interest in the identifiable net assets of the acquiree. Acquisition costs are expensed as incurred in the year and included in administration expenses.
When the Group acquires a business, it assesses the financial assets acquired or the liabilities assumed for appropriate classification and designation in accordance with the contractual terms, the economic circumstances and the other pertinent conditions in place at the acquisition date. This includes the check to establish whether an embedded derivative is required to be separated from the primary contract.
Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. The change in fair value of the contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial instruments, is recognised in the income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of the IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the income statement. Goodwill is initially recognised at cost, represented by the excess of total consideration paid and the amount recognised for minority interests with respect to the net identifiable assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedures used to determine the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of fair value of net assets acquired over the aggregate consideration transferred, then the difference (profit) is recognised to the income statement.
After initial recognition, goodwill is measured at cost net of accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.3.2. Current versus non-current classification

Assets and liabilities are recognised in the Group's financial statements based on current/non-current classification. An asset is current when:
- it is expected to be realised, or intended to be sold or consumed in the normal operating cycle;
- it is held primarily for trading purposes;

- it is expected to be realised within twelve months after the reporting period; or
- it is comprised of cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when:
- it is expected to be settled in the normal operating cycle;
- it is held primarily for trading purposes;
- it is due to be settled within twelve months after the reporting period; or
- the entity has not an unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.3.3. Fair value measurement

The Group measures financial instruments such as derivatives at fair value at the close of each financial year.
Fair value is the price that would be received for the sale of an asset, or that would be paid for the transfer of a liability, in an orderly transaction between market operators at the measurement date. A fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- in the principal market for the asset or liability;

or
- in the absence of a principal market, in the most advantageous market for the asset or the liability.

The principal market or the most advantageous market must be accessible by the Group.
The fair value of an asset or liability is measured using the assumptions that market operators would use when pricing the asset or liability, assuming that they act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market operator's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market operator that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All assets and liabilities for which the fair value is measured or recognised in the financial statements are categorised according to the fair value hierarchy, as described below:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or the liability directly or indirectly;
- Level 3: valuation techniques for which the input data for the asset or the liability are not observable.

The fair value measurement is classified entirely in the same level of fair value hierarchy of the lowest level input of the hierarchy used for measurement.
For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between the levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.
For the purposes of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as described above.
Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value are summarised in Note 7.

2.3.4. Revenues recognition

The Group is engaged in the supply of safety footwear and workwear.
Revenues from contracts with customers are recognised when control of goods and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the Principal in most of its revenue arrangements because it typically controls the goods and services before transferring them to the customer. The Group has concluded that the sale of the products is the only performance obligation of the contract.

Sale of safety footwear and workwear
Revenues from the sale of safety footwear and workwear are recognised at the point in time when control of the as-

set is transferred to the customer, generally on delivery of the asset to the customer's location. The normal credit terms is 30 to 120 days upon shipment.
In determining the transaction price for the sale of safety footwear and workwear, the Group considers the effects deriving from the presence of variable consideration, such as discounts on purchase volumes, and estimates the amount of the consideration to which it will be entitled in exchange for transferring the goods to the customer.

Contractual balances - Trade receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Please refer to accounting policies in section 2.3.12 Financial instruments - initial recognition and subsequent measurement.

2.3.5. Income tax expenses

Current income taxes
Current income tax assets and current tax liabilities for the year are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax law used to compute the amount are those issued, or substantially in force, at the reporting date in countries where the Group operates and generates its taxable income.
Current income taxes relating to items recognised directly in equity are also recognised in equity and not in the statement of profit/(loss) for the year. Management periodically evaluates the position adopted in the income tax return with respect to situations in which the applicable tax regulations are subject to interpretations and allocates the necessary provisions, where appropriate.

Deferred taxes
Deferred taxes are calculated by applying the "liability method" to the temporary differences between the tax bases of the assets and liabilities and their carrying amount for financial reporting purposes at the reporting date.
Deferred tax liabilities are recognised for all taxable temporary differences, with the following exceptions:

- when deferred tax liabilities arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not affect either the accounting result or the taxable result;
- when the reversal of taxable temporary differences, associated with equity investments in subsidiaries, associates and joint ventures, can be controlled, and it is probable that it will not materialise in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax credit and unused tax losses that can be carried forward, to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credit and unused tax losses can be utilised, except:

- when the deferred tax asset associated with deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not affect either the accounting result or the taxable result;
- in respect of deductible temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and that sufficient taxable income will be available to allow these temporary differences to be recovered.

The book value of deferred tax assets is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable income will be available in the future to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable income will be sufficient to allow these deferred tax assets to be recovered.
Deferred tax assets and deferred tax liabilities are measured on the basis of the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates that have been enacted and those already issued, or substantially enacted, at the reporting date.
Deferred taxes relating to items recognised outside of the income statement are also recognised outside of the income statement and, therefore, in equity or in the statement of comprehensive income, consistently with the element to which they refer.
Deferred tax assets and deferred tax liabilities are offset where there is legal right that allows current tax assets and

current tax liabilities to be offset, and the deferred taxes refer to the same taxpayer and same tax authority.
Tax benefits acquired following a business combination, but which do not meet the criteria for separate recognition at the acquisition date, are recognised subsequently, if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (up to the amount of the value of goodwill), if it was incurred during the measurement period, or recognised in the income statement, if recorded subsequently.
The Group offsets deferred tax assets and deferred tax liabilities if and only if there is legal right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously, with reference to each future period in which deferred tax assets and liabilities are expected to be settled or recovered.

Indirect taxes

Costs, revenues, assets and liabilities are recognised net of indirect taxes, such as value added tax, with the following exceptions:

- the tax applied to the purchase of goods and services is non-deductible; in that regard, it is recognised as part of the purchase cost of the asset or as part of the cost recorded in the income statement;
- trade receivables and trade payables include the applicable indirect tax.

The net amount of indirect taxes to be recovered from or to be paid to the tax authority is included as part of receivables or payables in the statement of financial position.
It should be noted that the parent company opted for the Group VAT payment, together with the other resident Group companies; the adoption of VAT consolidation allows the consolidating entity (parent company) to aggregate the VAT credit or debit payments of the parent company with those of the consolidated Italian companies.

2.3.6. Foreign currencies

The consolidated financial statements are presented in euros, which is also the parent company's functional and presentation currency. Each Group company defines its own functional currency, which is used to measure the items included in the individual sets of financial statements. The Group uses the direct consolidation method; profit or loss reclassified to the income statement at the time of the disposal of a foreign subsidiary represents the amount that emerges from the use of this method.

2.3.6.1. Tunisian companies included in the scope of consolidation

The Tunisian companies decided to use the Euro as the functional currency as indicated by IAS 21.
IAS 21 defines the functional currency as the currency of the main economic environment in which the entity operates, i.e. the one in which the entity generates and spends cash and cash equivalents. IAS 21 outlines a series of factors and indicators that the entity should consider in determining the functional currency.
Management believes that the Euro currency more accurately reflects the economic effects of the underlying events, transactions and conditions based on the following indicators:

- Influence of sale prices of goods and services (which, in the majority of cases, will coincide with the currency in which the sale prices of goods and services are denominated and settled)
- Countries in which competitive forces and regulations primarily determine the sale prices of goods and services;
- Influence of the cost of labour, of procurement of materials and other costs of supply of goods and services (which, in the majority of cases, will coincide with the currency in which these costs are denominated and settled).

2.3.7. Dividends

The Parent Company recognises a liability to pay a dividend to its shareholders when the distribution is adequately authorised and it is no longer at the company's discretion. Based on the applicable corporate law in Italy, a distribution is authorised when it is approved by the shareholders. A corresponding amount to distributed dividends is recognised directly as a reduction in equity.

2.3.8. Property, plant and equipment

Property, plant and equipment are recognised at historical cost, net of the associated accumulated depreciation and accumulated impairment losses, if any. Such cost includes costs for the replacement of parts of equipment and plants at the time they are incurred, if the recognition criteria are met. Where the periodic replacement of sig-

nificant parts of plant and equipment is necessary, the Group depreciates them separately based on their specific useful life. Similarly, at the time of significant revisions, its cost is included in the book value of the plant or equipment as a replacement, if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the cost of dismantling and removal of the asset at the end of its use is included in the cost of the respective asset, if the recognition criteria for a provision are satisfied.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Land and buildings	from 3% to 10%
Plant and equipment	from 10% to 15%
Industrial and commercial equipment	from 10% to 25%
Other tangible assets	
• Electronic office machines	from 20% to 33%
• Furnishings	from 10% to 12%

The book value of an item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e. at the date the purchaser obtains control) or when no future economic benefit is expected from its use or disposal. Any gain or loss that emerges on the derecognition of the asset (calculated as the difference between the book value and the net disposal proceeds) is recognised in the income statement when the item is derecognised.
The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

2.3.9. Leasing

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying asset.

i) Right of use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and the lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset, as follows:

• Land and buildings	from 3% to 10%
• Plant, equipment and industrial equipment	from 10% to 25%
• Other assets	from 10% to 33%

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
The right-of-use assets are also subject to impairment. Please refer to section 2.3.15 Impairment of non-financial assets.

ii) Right of use liability

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option if it is reasonably certain to be exercised by the Group and payments of penalties for terminating the lease , if the lease term reflects the Group exercising the option to terminate.
Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.
In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the leases is not easily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there are changes to the lease or owing to a revision of the contractual terms due to a change of lease payments; it is

also remeasured if there are changes in the assessment of the purchase option of the underlying asset or due to changes in future payments resulting from a change in an index or rate used to determine such lease payments. The Group's lease liabilities are included in Financial liabilities item (see Note 21).

iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to lease agreements of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

2.3.12. Financial expenses

Financial expenses directly attributable to the acquisition, the construction or the production of an asset that necessarily takes a substantial period of time to get ready for its intended use, are capitalised as part of the cost of the asset itself. All other financial expenses are recognised in the year in which they occur. Financial expenses consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.13. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost, while those acquired through business combinations are recognised at fair value on the acquisition date. Following initial recognition, intangible assets are recognised at cost net of accumulated amortisation and any accumulated impairment losses. Intangible assets produced internally, except for development costs, are not capitalised and are recognised in the income statement for the year in which they were incurred.
The useful life of intangible assets is assessed as either finite or indefinite.
Intangible assets with finite useful life are amortised over their useful life and subject to impairment testing whenever there are indications of a possible loss in value. Amortisation period and amortisation method of an intangible asset with a finite useful life are reviewed at least at the end of each year. Changes in the expected useful life or in the ways in which the future economic benefits associated with the asset will be realised are recognised through the change of amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation charges of intangible assets with finite useful life are recognised in the statement of profit/(loss) for the year, in the cost category consistent with the function of the intangible asset.
Intangible assets with indefinite useful life are not amortised, but are subject to annual impairment testing, both at individual and at cash-generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether this attribution continues to be sustainable, otherwise, the change from indefinite useful life to finite useful life is applied on a prospective basis.
An intangible asset is derecognised upon disposal (i.e. at the date the purchaser obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Concessions, licences and trademarks

The item includes the Group's trademarks, partly corresponding to the purchase cost, and partly deriving from the allocation of the positive initial cancellation difference generated at the moment of first-time consolidation up to the limit of the present value of said assets and, nonetheless, for values not exceeding their recoverable value, including therein the deferred tax assets and deferred tax liabilities in respect of the surpluses allocated. Trademarks are amortised on a straight-line basis over a period of 10 years, corresponding, based on the appropriate appraisals drafted by specialists, to the period of production and sale of the products to which they refer.
The item also includes the software booked at purchase cost and is amortised on a straight-line basis over a period of 5 years.

Research and development costs

Research costs are recognised in the income statement for the year in which they are incurred. Development costs on an individual project are recognised as intangible assets when the Group is able to demonstrate:
- the technical feasibility to complete the intangible asset, to ensure it is available for use or sale;
- its intention to complete the asset and its ability and intention to use or sell it;

- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to reliably evaluate the cost attributable to the asset during its development.

Following initial recognition of the development costs as an asset, the asset is carried at cost, less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Development costs are amortised over a period of 5 years. During the development period, the asset is tested for impairment annually (impairment test).
The Group did not recognise any development costs in the 2020 and 2019 financial years.

2.3.14. Financial instruments - Recognition and measurement

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or an equity instrument for another entity.

i) Financial assets

Initial recognition and measurement

At initial recognition, financial assets are classified, as appropriate, according to the subsequent measurement methods, i.e. amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flows characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in paragraph (2.3.4) Revenues recognition.In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("solely payments of principal and interest" - SPPI). This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that do not meet the above requirements (e.g. SPPI) are classified and measured at fair value through profit or loss.
The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both.
Financial assets that are classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling the financial assets.
Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or market conventions (standardised sale or regular way trade) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset..

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Within the Group are included the first and the fourth types.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include trade receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss for the year.

This category includes derivative instruments. A derivative embedded in a non-derivative hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative, if: its economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value, with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily derecognised (e.g. removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed a contractual obligation to pay the received cash flows in full and without delay to a third party and either (a) the Group has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) the Group has neither transferred, nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement based on which it retains the contractual rights to receive cash flows from the financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred, nor retained substantially all of the risks and rewards of the asset, or has not lost control over the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In this case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflect the rights and obligations that remain attributable to the Group.

Impairment

The Group recognises an allowance for expected credit losses (ECL) for all financial assets represented by debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit guarantees that are integral to the contractual terms.

Expected credit losses are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, it is necessary to recognise the credit losses resulting from the estimate of default events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the expected losses relating to the remaining life of the exposure must be fully recognised, regardless of when the default event is expected to occur ("Lifetime ECL").For trade receivables and contract assets, the Group applies a simplified approach to the calculation of expected losses. Therefore, the Group does not track changes in credit risk, but instead recognises the expected loss in full at each reporting date. The Group has established a provision matrix system based on its historical information, adjusted for forward-looking factors specific to the debtors and their economic environment, as a tool for determining expected losses.

For assets represented by debt instruments measured at fair value through OCI, the Group applies the low credit risk simplification. At each reporting date, the Group assesses whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without excessive costs or efforts. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit guarantees held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, under mortgages and loans, or as derivatives designated as hedging instruments.
All financial liabilities are recognised initially at fair value plus, in the case of mortgages, loans and payables, their directly attributable transaction costs.
Group financial liabilities include trade and other payables, mortgages and loans, including bank overdrafts and derivative financial instruments.

Subsequent measurement
For the purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit and loss
- Financial liabilities at amortised cost (loans and borrowings)

Only the second type is present in the Group.

Financial liabilities at amortised cost
(loans and borrowings)
This is the most relevant category for the Group. Following initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in profit or loss when the liability is extinguished, as well as through the amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included as finance costs in the statement of profit or loss.
This category generally applies to interest-bearing loans and borrowings. See Note 21 for more information.

Derecognition
A financial liability is derecognised when the obligation under the liability is extinguished, cancelled or discharged. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability, accompanied by the recognition of a new liability, booking any difference between the respective carrying amounts to the statement of profit or loss for the year.

iii) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is recognised in the statement of financial position, if there is a current legal right to offset the recognised amounts on an accounting basis and there is an intention to settle the net residual balance, or realise the asset and settle the liability simultaneously.

2.3.15. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge the interest rate risk on loans. These derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship, to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued.
The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including analysis of the sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting eligibility criteria if it meets all the following hedge effectiveness requirements:
- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of the credit risk does not dominate the value changes resulting from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

As regards cash flow hedges, the Group recognizes the portion of the gain or loss on the hedging instrument relating to the effective part of the hedge in the “cash flow hedge” reserve in the statement of other comprehensive income, while any ineffective portion is recognised directly in the statement of profit or loss for the year. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

2.3.16. Inventories

Inventories are measured at the lower of cost and the net presumed realisable value. Purchase or production cost is determined with the weighted average cost method.
Cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges recognised in other comprehensive income, in respect of the purchase of raw materials.
Net presumed realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.
When obsolete or slow-moving stocks are recognised, these are written down based on their possibility of being used or realised. Stocks of obsolete or slow-moving inventories are written down to reflect the possibility of use or realisation. The original value is restored during the year in which the reasons for a previous write-down no longer apply.

2.3.18. Impairment of non-financial assets

At each reporting date, the Group evaluates the existence of indicators of impairment of the assets. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable value. The recoverable value is the higher of the fair value of the asset or cash-generating unit, less costs to sell, and its value in use. The recoverable value is determined by individual asset, except when such asset generates cash flows that are not largely independent of those generated by other assets or groups of assets. If the book value of an asset is higher than its recoverable value, this asset has suffered impairment and is subsequently written down to its recoverable value.
In determining the value in use, the Group discounts the estimated future cash flows to the present value using a pre-tax discount rate, which reflects the market evaluations of the present value of money and the specific risks of the asset. In determining the fair value less costs to sell, recent market transactions are taken into account. If such transactions cannot be identify, an appropriate valuation model is used.
The Group bases its impairment test on detailed budgets and forecast calculations, prepared separately for each Group cash-generating unit to which the individual assets are allocated. These budgets and forecast calculations cover a period of three years. A long-term growth rate is calculated to project future cash flows beyond the third year.
Impairment losses of continuing operations are recognised in the statement of profit/(loss) for the year in the expense categories consistent with the destination of the asset that showed impairment.
For assets other than goodwill, at each reporting date, the Group evaluates whether there are indications that previously recognised impairment losses no longer exist (or have decreased) and, if such indications exist, estimates the recoverable value of the asset or CGU. The value of a previously written down asset can be restored only if there have been changes in the assumptions on which the calculation of the recoverable value was based, after the recognition of the last impairment loss. The recovery value cannot exceed the book value that would have been determined, net of amortisation/depreciation, if no impairment loss had been recognised in previous years. Such reversal is recognised in the statement of profit/(loss) for the year.

Intangible assets with indefinite useful life are subject to impairment test at least annually at cash-generating unit level, as appropriate, and when circumstances indicate that the carrying value may be subject to impairment.

2.3.20. Cash and cash equivalents and short-term deposits

Cash and cash equivalents and short-term deposits include cash at banks and on hand and sight and short-term deposits with a maturity of three months or less, which are not subject to significant risks linked to changes in value.
For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's liquidity management.

2.3.21. Provision for risks and charges

Allocations to provisions for risks and charges are recognised when the Group has a present obligation (legal or implicit) resulting from past event, or it is probable an outflow of resources to settle the obligation and it is possible to reliably estimate its amount. When the Group expects some or all of a provision to be reimbursed, for example in the case of risks covered by insurance policies, the reimbursement is recognised as a clearly and separate asset, but only when the reimbursement is virtually certain. In said case, the cost relating to any provision is presented

in the statement of profit/(loss) for the year, net of any reimbursement.
If the effect of the time value of money is significant, provisions are discounted using a pre-tax discount rate that reflects, when appropriate, the risks specific to the liability. When the liability is discounted, the increase in the provision due to the passage of time is recognised as a financial expense.

2.3.22. Employee benefit obligations

Mandatory employee severance indemnity for Italian companies pursuant to art. 2120 of the Italian Civil Code, is deferred remuneration and is related to the duration of the working life of the employees and the remuneration received.
Due to the reform of complementary pensions, amounts of employee severance indemnity accrued up to 31 December 2006 will continue to remain with the company as they represent a defined benefit plan (obligation for benefits accrued subject to actuarial evaluation), while amounts accruing from 1 January 2007 (with the exception of employees in companies with less than 50 employees), due to the decisions made by the employees, are allocated to forms of complementary pension or transferred from the company to the treasury provision managed by INPS (Italian National Social Security Institution), as they represent, from the moment the decision is formalised by the employee, defined contribution plans (no longer subject to actuarial evaluation).
For benefits subject to actuarial evaluation, the liability relating to employee severance indemnity must be calculated by projecting the amount already accrued to the future moment of termination of the employment contract and then discounting the amount at the balance sheet date using the actuarial method known as the "Projected Unit Credit Method". The discount rate used to determine the liability is the one relating to the "Composite" interest rate curves of securities issued by AA rated corporate issuers.
From an accounting perspective, through the actuarial evaluation, the interest cost is booked to the income statement under the item "Financial expenses/income", which constitutes the figurative expense that the company would incur in requesting a loan from the market for an amount equal to the employee severance indemnity, and the current service cost is recognised in the item "cost of labour", which defines the amount of rights accrued in the year by employees solely for those Group companies with less than 50 employees and who, therefore, have not transferred the amounts accrued from 1 January 2007 to a complementary pension. Actuarial gains and losses that reflect the effects deriving from changes in the actuarial assumptions used are recognised directly to equity without ever passing through the income statement and are recognised in the statement of comprehensive income.

3. ASSUMPTIONS AND SIGNIFICANT ACCOUNTING ESTIMATES ALSO IN VIEW OF THE COVID-19 IMPACTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the accompanying disclosure, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a significant adjustment to the book value of such assets and/or liabilities affected in future periods.

Impact of the COVID-19 pandemic
The macroeconomic scenario is currently characterised by significant uncertainty in relation to the crisis generated by the SARS-CoV-2 respiratory syndrome and the related COVID-19 pathology. Since January 2020, following the global spread of COVID-19, the authorities of most countries, including the Italian government, have adopted restrictive measures aimed at containing the further spread of the pandemic. Among these, the most significant involved restrictions and controls on movements and the closure of production plants and offices. These measures had a significant negative impact on financial markets and on economic activities at domestic and global level, with a consequent drastic drop in global production. These circumstances led to a drop in demand for the Group's products, which translated into a temporary reduction in revenues in March-May 2020, while a recovery in orders was recorded starting from June, always higher than in 2019 (except in December 2020). The Group's logistics centres remained open throughout the lockdown period (mid-March-May 2020), allowing the Group to fulfil customer orders while the closure of the production plant in Tunisia

for almost three weeks was managed by using available stock. Lastly, in order to support the distribution chain, the Group granted payment extensions to some distributors/customers, with an irrelevant and temporary effect on working capital. The Group does not expect significant impacts over the next few years.

Estimates and assumptions

The main assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a relevant risk of causing significant adjustments to the book values of assets and liabilities within the next financial year, are described below. The Group based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. However, current circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. These changes are reflected in the assumptions when they occur.

Impairment of non-financial assets and useful life of fixed assets

An impairment occurs when the carrying amount of an asset or a cash-generating unit exceeds its own recoverable amount, which is the greater of its fair value, less costs to sell, and its value in use. Fair value less costs to sell is the amount that can be obtained from the sale of an asset or a cash-generating unit in a free transaction between knowledgeable and willing parties, less the costs of the disposal. The calculation of the value in use is based on a discounted cash flow model. Cash flows are derived from the budget for the following three years and do not include restructuring activities for which the Group has not yet committed itself or significant future investments that will increase the results of the activity included in the cash-generating unit subject to measurement. The recoverable value significantly depends on the discount rate used in the discounted cash flow model, the expected future cash flows and the growth rate used for the extrapolation.

Considering the final positive results and the positive growth trend, the Group did not identify any impairment indicators as at 31 December 2020 and therefore did not carry out an impairment test. It should also be noted that there is no goodwill or intangible assets with an indefinite useful life. See notes 2.3.8, 2.3.9 and 2.3.13 for a summary of the useful lives of intangible and tangible assets and rights-of-use as estimated by the directors.

Income taxes

Deferred tax assets relating to unused tax losses are recognised to the extent that it is probable that a taxable profit will be available such to allow the use of the tax losses. A significant estimate is required by company management to determine the amount of tax assets that can be recognised on the basis of the level of future taxable profits, the timing of their occurrence and the applicable tax planning strategies.

The Group has prior tax losses that can be indefinitely carried forward relating to the subsidiary Jallatte. In line with what is reported in the company budgets, these losses are considered fully recoverable and therefore deferred tax assets have been recognised for all of them.

Significant management judgement is required to assess the likelihood of the recoverability of deferred tax assets, considering all possible evidence, both negative and positive, and to determine the amount that can be recognised in the financial statements, based on the timing and amount of future taxable profits, future tax planning strategies and the tax rates in force at the time of their reversal. However, should it be ascertained that the Group is unable to recover all or part of the deferred tax assets recognised in future years, the resulting adjustment will be charged to the Income Statement in the year in which this circumstance occurs.

IFRIC 23 requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If the entity concludes that the position is not probable of being accepted, the effect of the uncertainty needs to be reflected in the accounting for income taxes.

The Group's Tunisian subsidiaries are subject to a tax dispute, the risk of which has been accounted for in the item Income Taxes for the year with a balancing entry in Payables for taxes and other assets in accordance with the provisions of IFRIC 23.

Further details on taxes are provided in Note 35.

Defined benefit plans (pension provisions)

The cost of defined benefit pension plans and other post-employment benefits and the present value of the pension obligation are determined using actuarial evaluations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity involved in the valuation and its long-term nature, these estimates are highly sensitive to changes in the assump-

tions. All assumptions are reviewed on an annual basis. The discount rate represents the parameter most subject to changes. In determining the appropriate discount rate, management considers the interest rate of bonds (corporate bonds) as a reference, in currencies consistent with the currencies of the post-employment benefit obligations with at least an AA rating or above, as set by an internationally acknowledged rating agency, and with average expiries corresponding to the expected term of the defined benefit obligation. The bonds are subject to an additional qualitative analysis and those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.
The mortality rate is based on publicly available mortality tables for the specific counties. These mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details, including a sensitivity analysis, are provided in Note 19.

Fair value of financial instruments
When the fair value of a financial asset or liability recognised in the statement of financial position cannot be measured based on quoted prices in an active market, their fair value is measured using different valuation techniques, including the discounted cash flow model. The inputs to this model are taken from observable markets, where possible, but if it is not possible, a certain degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating these factors could affect the reported fair value of financial instruments.

Provision for inventory obsolescence
The Group normally draws up forecasts in relation to the realisable value of obsolete, surplus or slow-moving stocks. This estimate is based essentially on historical experience, also taking into account the characteristics of each stock. The effective realisable value of the stocks may differ from the estimated one due to the uncertainty affecting the conditions forming the basis of the estimates adopted.

Lease - Estimate of the incremental borrowing rate
The Group cannot easily determine the interest rate implicit in the lease and therefore uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the interest rate that the lessee would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available.

Significant judgements in determining the lease term of contracts with extension options - Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease, if it is reasonable certain to be exercised, and any periods covered by an option to terminate the lease, if it is reasonable certain not to be exercised.

The Group has the option, for some of its leases, to extend the lease or to terminate it early. The Group applies judgment in assessing whether it is reasonable certain whether or not to exercise the renewal options. That is, the Group considers all relevant factors that may create an economic incentive for it to exercise either the renewal options or to conclude the contract. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that are within its control and that may affect its ability to exercise (or not to exercise) the option to renew or to early terminate (for example, investments in leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of plant and equipment with a short non-cancellable contractual period (e.g. three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on its production if replacement assets are not readily available. The renewal options for leases of plant and equipment with a longer non-cancellable contractual period (e.g. 10 to 15 years) are not included as part of the lease term as there are no reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicle are not included as part of the lease term because the Group typically does not use these assets for more than five years and therefore does not exercise any renew-

al option. Lastly, periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.
Note 31 provides information on potential future lease payments following the exercise of extension or termination options not included in the lease term.

Provision for expected losses on trade receivables
The Group uses a provision matrix to calculate the ECLs for trade receivables. Provision rates are based on days past due for grouping of various customer segments. The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated. The assessment of the correlation between historical observed default rates and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and the Group's historical credit loss experience may also not be representative of customer's actual default in the future.

4. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE FROM 1 JANUARY 2020

Various other amendments and interpretations apply for the first time in 2020, but did not have any impact on the Company's financial statements. The Company has not early adopted any other standard, interpretation or amendment, that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a business
The amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the Group's consolidated financial statements but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform
The amendments to IFRS 9 and IAS 39 provide a number of practical expedients that apply to hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship that is affected by the reform is subject to uncertainty about the timing and amount of benchmark-based cash flows of the hedged instrument. These amendments have no significant impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IAS 8: Definition of material
The amendments provide a new definition of material, which states that information is material if it is reasonable to assume that its omission, misstatement or concealment could influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of information, or on both. An entity assesses whether the information, individually or in combination with other information, is material in the context of the financial statements, taken as a whole. The information is hidden if it is communicated in such a way as to have, for the main users of the financial statements, an effect similar to that of the omission or incorrect indication of the same information. These amendments had no impact on the Group's consolidated financial statements and no future impact for the Group is expected.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in development standards, to help prepares develop consistent accounting policies where there are no applicable standards in place and to assist all parties involved to understand and interpret the standards.
The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the Group's consolidated financial statements.

Amendment to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued an amendment to IFRS 16. The amendment provide relief to lessee from applying IFRS

16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 epidemic. The amendment introduces a practical expedient according to which a lessee may choose not to assess whether the reduction in lease payments represent contractual changes. A lessee who chooses to use this expedient accounts for these reductions as if they were not contractual changes in the scope of IFRS 16.
The amendments are applicable to financial statements with accounting period starting on 1 June 2020 or later.
These amendments had no impact on the Group's consolidated financial statements.

5. STANDARDS ISSUED BUT NOT YET IN FORCE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements, are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by the right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- The classification is not affected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the term of a liability not impact its classification.

The amendments will be effective for annual reporting period beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework - Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Conceptual Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.
The Board also added an exception to the IFRS 3 measurement standards to avoid the issue of potential "next day" gains or losses arising from contingent liabilities and liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.
At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.
The amendments will be effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location or condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
The amendment will be effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of Property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies this amendment.
The amendments are not expected to have a material impact on the Group.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.
The amendments are not expected to have a material impact on the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of the 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment allows a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent company, based on the parent's date of transition to IFRS. This amendment is also applied to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1.

The amendment will be effective for annual reporting period beginning on or after 1 January 2022 with earlier application permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. This amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. An entity applies this amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment will be effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted. The Group will apply this amendment to financial liabilities that are modified or exchanged after or on the beginning of the annual reporting period in which the entity first applies this amendment.

The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IAS 41 Agriculture. The amendment removes the requirements in paragraph 22 of IAS 41 referring to the exclusion of cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

This standard is not applicable to the Group.

Amendments to IAS 1 and IAS 8 were also issued with reference to the definition of accounting estimates and information on the significant accounting standards applied.

6. INFORMATION ON THE GROUP

Information on the subsidiaries

The Group directly controls the entire value chain of the design, prototyping, production and sales of safety footwear and workwear.

The Group consolidated financial statements include:

Name	Registered office	Type of control	Currency	Functional currency	% equity investment 2020	% equity investment 2019
U-Group s.r.l.	Italy	Direct	EUR	EUR	100%	100%
Altek Europe s.r.l.	Italy	Direct	EUR	EUR	100%	100%
U-Logistics s.r.l.	Italy	Direct	EUR	EUR	100%	100%
Lupos G.m.b.H.	Germany	Direct	EUR	EUR	100%	100%
Belbis Sarl	Tunisia	Direct	TND	EUR	100%	100%
Granbis Sarl	Tunisia	Direct	TND	EUR	100%	100%
Martek Sarl	Tunisia	Direct	TND	EUR	100%	100%
Jallatte SAS	France	Direct	EUR	EUR	100%	100%

As described in note 2.3.6.1, the Tunisian companies have used the Euro as functional currency.
The scope of consolidation remains unchanged with respect to the previous period.
The resolution of dissolution and liquidation adopted by the subsidiary Lupos GmbH on 23.12.2020 is worth mentioning.

Ultimate parent

The ultimate parent of the U-Invest group is Fin Reporter S.r.l., also domiciled in Italy, which owns 100% of the shares.

7. FAIR VALUE MEASUREMENT

The following table shows the comparison, by individual class, between the book value and the fair value of the financial instruments held by the Group, excluding those whose book value reasonably approximates the fair value, with an indication of the relative hierarchical scale envisaged by the standard:

	2020				
	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss					
Unicredit securities	1,315	1,315	1,315		
Total	**1,315**	**1,315**	**1,315**	**-**	**-**
Financial liabilities at amortised cost					
Bonds	(24,751)	(24,751)		(24,751)	
Floating rate borrowings	(15,956)	(15,956)		(15,956)	
Fixed rate borrowings	(9,714)	(9,714)		(9,714)	
Total	**(50,421)**	**(50,421)**	**-**	**(50,421)**	**-**
Derivative financial instruments					
Effective hedging derivatives	(277)	(277)		(277)	
Derivatives not designated as hedges	(35)	(35)		(35)	
Total	**(312)**	**(312)**	**-**	**(312)**	**-**

	2019				
	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss					
Unicredit securities	1,000	1,000	1,000		
Total	**1,000**	**1,000**	**1,000**	**-**	**-**
Financial liabilities at amortised cost					
Bonds	(9,897)	(9,897)		(9,897)	
Floating rate borrowings	(16,906)	(16,906)		(16,906)	
Fixed rate borrowings	(7,249)	(7,249)		(7,249)	
Total	**(34,052)**	**(34,052)**	**-**	**(34,052)**	**-**
Derivative financial instruments					
Effective hedging derivatives	(260)	(260)		(260)	
Derivatives not designated as hedges		-			
Total	**(260)**	**(260)**	**-**	**(260)**	**-**

Management assessed that fair value of cash and cash equivalents and short-term deposits, trade receivables and payables, bank overdrafts and other current liabilities approximate their book value largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair value:

- Long-term loans and receivables, both fixed-rate and floating-rate, are measured by the Group on the basis of parameters such as interest rates, country-specific risk factors, individual creditworthiness of each customer and risk characteristic of the financial project. Based on this evaluation, allowances are taken into account for estimated losses of these receivables.
- The fair value of quoted notes and bonds are based on price quotation at the reporting date. The fair value of unquoted instruments, such as loans from banks or other financial liabilities, or other non-current financial liabilities, is estimated by discounting future cash flows using rates currently available for debt on similar terms, such as credit risk and remaining maturities. In addition to being sensitive to reasonably possible changes in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to reasonably possible changes in growth rates.
- The Group enters into derivative financial instruments with various counterparties, mainly financial institutions with investment grade credit rating. Derivatives measured using valuation techniques with observable market data mainly consist of interest rate swaps. The most frequently applied valuation techniques include forward pricing and swaps models, which use the present value calculation. The models incorporate various inputs, including the credit quality of the counterparty, the foreign exchange spot and forward rates, the interest rate curves and the forward rate curves of the underlying commodities, the yield curves of the respective currencies, the currency basis spread between the respective currencies. All derivative contracts are fully cash collareralised, thereby eliminating both counterparty risk and the Group's own risk of default. The mark-to-market value of the other derivatives asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The change in the counterparty credit risk did not have a significant effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.
- The fair value of Group's interest-bearing loans and borrowings is determined using the discounted cash flow method and a discount rate that reflects the issuer's borrowing rate at the end of the reporting period. The Group's own risk of default was assessed as not significant.

8. INTANGIBLE ASSETS

Intangible assets, as detailed in the table below, amounted to Euro 3,930 thousand as at 31 December 2020.

	Concessions, licences and trademarks
Historical cost	
As at 1 January 2020	12,529
Increases	162
Disposals	(3)
As at 31 December 2020	12,688
Accumulated amortization	
As at 1 January 2020	(7,721)
Amortization for the year	(1,033)
Increases	(7)
Disposals	3
As at 31 December 2020	(8,758)
Net book value	
As at 1 January 2020	4,808
As at 31 December 2020	3,930

The comparative table for 2019 is provided below:

	Concessions, licences and trademarks
Historical cost	
As at 1 January 2019	12,354
Increases	286
Disposals	(111)
As at 31 December 2019	12,529
Accumulated amortization	
As at 1 January 2019	(6,606)
Disposals	(1,125)
Amortization for the year	10
As at 31 December 2019	(7,721)
Net book value	
As at 1 January 2019	5,748
As at 31 December 2019	4,808

The item "Concessions, licences, trademarks and similar rights" refers mainly to the value of the U-Power, Jallatte, Aimont, and Lupos trademarks, relating to the products sold by the Group in the safety footwear and workwear sector.
The value of the Aimont, Lupos trademarks and other minor trademarks, totalling Euro 1,278 thousand, corresponds to the purchase value net of the amortisation already incurred.
The value of the U-Power and Jallatte trademarks reported in the financial statements amounts, respectively, to Euro 1,019 thousand and Euro 1,463 thousand, net of amortisation for the year.
As regards trademarks, considered by management as assets with definite useful life and amortised over 10 years, no indicators of impairment or indicators that could identify a different useful life from the current one emerged during the year, based on future plans.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, as detailed in the table below, amounted to Euro 28,065 thousand as at 31 December 2020.

	Land and buildings	Plant and equipment & Industrial and commercial equipment	Other tangible assets	Total
Historical cost				
As at 1 January 2020	16,348	33,614	2,188	52,150
Increases	71	4,407	421	4,899
Reclassifications	-	159	(159)	-
As at 31 December 2020	16,419	38,180	2,449	57,049
Accumulated depreciation				
As at 1 January 2020	(3,854)	(19,423)	(1,573)	(24,850)
Depreciation in the year	(669)	(3,239)	(226)	(4,134)
As at 31 December 2020	(4,523)	(22,661)	(1,800)	(28,984)
Net book value				
As at 1 January 2020	12,494	14,191	614	27,300
As at 31 December 2020	11,897	15,519	650	28,065

The comparative table for 2019 is provided below:

	Land and buildings	Plant and equipment & Industrial and commercial equipment	Other tangible assets	Total
Historical cost				
As at 1 January 2019	16,198	29,014	1,909	47,122
Increases	150	4,814	298	5,261
Reclassifications/disposals/mergers	0	-214	-19	-233
Write-downs	0	0	0	0
As at 31 December 2019	16,348	33,614	2,188	52,150
Accumulated depreciation				
As at 1 January 2019	-3,196	-16,758	-1,401	-21,356
Depreciation in the year	-658	-2,804	-191	-3,653
Reclassifications/disposals/mergers	0	139	19	158
Exchange rate differences	0	0	0	0
As at 31 December 2019	-3,854	-19,423	-1,573	-24,850
Net book value				
As at 1 January 2019	13,002	12,256	508	25,766
As at 31 December 2019	12,494	14,191	614	27,300

The item “Land and buildings” contains the values relating to buildings located in Tunisia, amounted to Euro 11,741 thousand as at 31 December 2020; the remainder amount relates to the buildings of Jallatte.
The majority of plants, machinery and equipment are located in the Tunisian production facilities for a value of Euro 13,938 thousand, partly in the logistics plant of the subsidiary U-Logistics for Euro 675 thousand and, only to a marginal degree, in the production facility of the French subsidiary Jallatte for Euro 257 thousand. The increases in the year are due primarily to the acquisitions of plant and equipment for the facilities in Tunisia. Industrial and commercial equipment mainly refer to moulds and production equipment in the Tunisian subsidiaries.
The item “Other tangible assets” mainly includes IT material, office furniture and vehicles.

No indicators of impairment or indicators that could identify a different useful life from the current one emerged during the year, based on future plans.

10. RIGHTS OF USE ASSETS

With the application of IFRS16 concerning rights of use and lease agreements, the statement of financial position included a value of Euro 6,005 thousand, net of amortisation calculated for the year.

Details are provided in the table below:

	Right of use - Buildings	Right of use - Industrial and commercial equipment	Right of use - Cars	Total
Historical cost				
As at 1 January 2020	6,199	2,632	937	9,768
Increases	3,829	58	49	3,936
Disposals	(4,037)	(5)	(251)	(4,293)
As at 31 December 2020	5,990	2,686	735	9,411
Accumulated depreciation				
As at 1 January 2020	(1,231)	(1,504)	(563)	(3,299)
Depreciation in the year	(645)	(341)	(202)	(1,188)
Disposals	840	5	237	1,081
As at 31 December 2020	(1,036)	(1,840)	(528)	(3,406)
Net book value				
As at 1 January 2020	4,967	1,128	374	6,469
As at 31 December 2020	4,954	846	207	6,005

The comparative table for 2019 is provided below:

	Right of use - Buildings	Right of use - Industrial and commercial equipment	Right of use - Cars	Total
Historical cost				
As at 1 January 2019	3,371	2,622	830	6,824
Increases	3,034	-	29	3,063
Reclassifications/disposals/mergers	(206)	10	78	(119)
Write-downs	-	-	-	-
As at 31 December 2019	6,199	2,632	937	9,768
Accumulated depreciation				
As at 1 January 2019	(524)	(1,132)	(332)	(1,988)
Depreciation in the year	(904)	(372)	(225)	(1,500)
Reclassifications/disposals/mergers	197	(1)	(6)	190
Exchange rate differences	-	-	-	-
As at 31 December 2019	(1,231)	(1,505)	(563)	(3,298)
Net book value				
As at 1 January 2019	2,847	1,490	499	4,836
As at 31 December 2019	4,968	1,127	374	6,470

The item relating to the right of use for properties mainly refers to the logistics plant of the subsidiary U-Logistics and to the offices used by the other European companies.

11. DEFERRED TAX ASSETS AND LIABILITIES

Details of deferred tax assets and liabilities are provided below:

	31-Dec-20			31-Dec-19		
	Amount of temporary differences	**Rate**	**Tax effect**	**Amount of temporary differences**	**Rate**	**Tax effect**
Derivatives	312	24.00%	75	260	24.00%	62
Inventory write-down	2,825	24.00%	678	2,260	24.00%	542
Provisions for losses on receivables	147	24.00%	35	97	24.00%	23
Tax losses - Jallatte	25,830	25.00%	6,458	11,254	33.33%	3751
Temporary differences in services provided	412	24.00%	99	94	24.00%	23
Exchange losses from translation	70	24.00%	17	61	24.00%	14
IFRS adjustment of TFR (employee severance indemnity)	198	24.00%	47	154	24.00%	36
TAX AUTH.	457	27.90%	128	457	27.90%	128
Revaluation of trademarks and patents	27,998	27.90%	7,811			0
Consolidation entries	3,113	27.90%	868	3,302	27.90%	922
Other		27.90%				0
Subtotal Deferred tax assets			**16,216**			**5,502**
Amortisation of intangible assets	2,635	27.90%	735	3,309	27.90%	923
Depreciation of tangible assets	0	27.90%	0	661	27.90%	184
Gains from translation	52	24.00%	12	12	24.00%	3
Leasing	7	27.90%	2	6	27.90%	2
Taxation of retained earnings to be distributed by subsidiaries	12,052	17.00%	2,049	22,624	10.00%	2,262
Dividends resolved by subsidiaries and uncollected	1,137	12.00%	136	1,837	24.00%	441
Bond issue expenses	0	24.00%	0	103	24.00%	25
Subtotal deferred tax liabilities			**2,935**			**3,840**
Total net deferred tax assets			**13,281**			**5,502**
Total net deferred tax liabilities			**-**			**3,840**

The main amount of deferred tax assets refers to the tax relevance of the revaluation of the patent concerning "*Energising safety shoe*" and of the U-Power trademark carried out by the parent company in its financial statements drawn up in accordance with the OIC accounting standards pursuant to Law 126/20 and which led to the recognition of deferred tax assets at consolidated level equal to the tax benefit that will be obtained below.

The increase in the item Jallatte tax losses is due to the adjustment of the provision with the total tax losses of the French subsidiary, taking into account the expected profits of Jallatte.
The amount relating to the consolidation entries refers mainly to the elimination of intercompany profits present in inventories at year-end.
The subtotal of the provision for deferred tax liabilities is

composed primarily of provisions for withholdings at source of the Tunisian companies and taxes on dividends that will be distributed by said companies, plus deferred taxes generated as a result of the allocation to trademarks of the differences generated during the phase of first-time consolidation on the French (Jallatte) and Italian (U-Group and U-Logistics) branches, and leasing entries.
Management has positively assessed, based on the business plans prepared, the recoverability of deferred tax assets, considering all possible evidence, both negative and positive, based on the timing and amount of future taxable income, future tax planning strategies and the tax rates in force at the time of their reversal.
The amounts relating to deferred tax assets for the year 2020 are stated net of deferred tax liabilities, since, following the recognition of deferred tax assets on the described revaluation, the time horizon between deferred tax assets and liabilities is homogeneous.

12. OTHER NON-CURRENT ASSETS

Other non-current assets amounted to Euro 1,355 thousand. Non-significant equity investments in other companies are not consolidated and are valued at cost. The item includes Bonds issued by Unicredit Spa for a total amount of Euro 1,315 thousand, in addition to the usual security deposits and minor equity investments, see Note 7 for all fair value disclosures.

13. INVENTORIES

The composition of inventories at the date of year-end is reported below.

Inventories	31 December 2020	31 December 2019
Raw, ancillary and consumable materials	14,654	14,543
Work in progress and semi-finished products	8,500	9,553
Finished products and goods	27,916	23,179
Total	**51,070**	**47,275**

The value of inventories is shown net of a provision for obsolescence, whose amount is highlighted in the table below:

	Obsolescence allowances on inventories
As at 1 January 2020	8,257
Increases	2,069
As at 31 December 2020	10,326

The increase in the value of inventories is attributable to the increase in the quantity and value of finished products, as a consequence of the supply and production policies implemented by the Group during the year, in order to meet the growing demand from customers.

14. TRADE RECEIVABLES

Receivables due from customers at 31 December 2020 totalled Euro 51,510 thousand, net of the associated bad debt provision of Euro 941 thousand. This item is composed entirely of receivables due within the next financial year.
The table below shows the breakdown of receivables due from customers by geographical area:

	31 December 2020	31 December 2019
Italian customers	38,702	29,980
EU customers	12,039	11,549
Non-EU customers	769	1,168
Total	**51,510**	**42,697**

The increase in receivables due from customers reflects the rise in sales; for detailed comments please refer to the report on operations.
The breakdown by geographical area shows the most significant increase in the Italian market, the main outlet market for the Group's products.

The following table breaks down the concentration of trade receivables as at 31 December 2020 and 2019:

	2020	inc. %	2019	inc. %
First customer	1,096	2.1%	811	1.9%
Top five customers	3,310	6.4%	2,681	6.3%
Top ten customers	5,343	10.4%	4,173	9.8%
Total trade receivables	**51,510**	**100.0%**	**42,697**	**100.0%**

The breakdown of the Group's trade receivables as at 31 December 2020 and 2019 by maturity is shown below:

	31 December 2020	inc %	31 December 2019	inc %
Falling due receivables	49,959	97.0%	40,521	94.9%
Past due within 30 days	731	1.4%	1,255	2.9%
Past due within 30 days and 60 days	579	1.1%	337	0.8%
Past due within 60 days and 90 days	149	0.3%	61	0.1%
Past due after 90 days	1,034	2.0%	1,359	3.2%
Bad debt provision	(941)	-1.8%	(836)	-2.0%
Total trade receivables	**51,510**		**42,697**	

The movement in the bad debt provision is reported below:

	Bad debt provision
As at 1 January 2019	652
Use - 2019	(78)
Provision - 2019	262
As at 1 January 2020	836
Utilisation - 2020	(199)
Provision - 2020	303
As at 31 December 2020	941

15. RECEIVABLES FROM RELATED PARTIES

Please refer to point 39 of these notes for details on the receivables in question.

16. TAX RECEIVABLES

The breakdown of the item at the date of year-end is reported below.

	31 December 2020	31 December 2019
VAT credits	493	1,142
Other tax credits	533	806
Total	**1,026**	**1,948**

17. OTHER CURRENT ASSETS

	31 December 2020	31 December 2019
Security deposits	59	59
Advances to suppliers	2,554	1,732
Other receivables	2,036	2,366
Total	**4,649**	**4,157**

The item 'Other receivables' refers primarily to the receivables due from the Tunisian National Social Security Fund

18. CASH AND CASH EQUIVALENT

The breakdown of the item at the date of year-end is reported below together with the breakdown of cash and cash equivalents, according to the currency in which it is denominated.

	31 December 2020	31 December 2019
Bank deposits	37,981	21,366
Cash	8	6
Total	**37,989**	**21,372**

	31 December 2020	Incidence %	31 December 2019	Incidence %
EUR	37,778	99.4%	21,195	99.2%
TND	35	0.1%	23	0.1%
GBP	175	0.5%	129	0.6%
USD	1	0.0%	25	0.0%
Total cash and cash equivalents	**37,989**		**21,372**	

The balance represents the cash and cash equivalents and the existence of cash and assets fully available at the date of year-end. There are no restrictions or constraints on the use of cash and cash equivalents, with the exception of a current account pledged for Euro 3,951 in favour of Unicredit as part of the Mini-Bond issued by the company in 2020.

The change compared to last year is significant, amounting to Euro 16,617 thousand, as the level of liquidity has been increased in order to better cope with any unexpected situations that might arise from the ongoing COVID-19 pandemic. Please refer to the statement of cash flows for details of the movements that occurred.

19. EQUITY

At the date of year-end, the fully subscribed and paid-in share capital amounted to Euro 10,000 thousand.

Equity as at 31 December 2020 and 2019 is broken down below.

(Amounts in Euro thousands)

	As at 31 December		Change	
	2020	2019	2020 vs 2019	2020 vs 2019 %
Share capital	10,000	10,000	-	0.0%
Other reserves	4,188	3,491	697	20.0%
Capital contributions reserves	8,600	8,600	-	0.0%
Retained earnings	22,359	16,364	5,995	36.6%
Profit for the year	33,007	18,966	14,041	74.0%
Group Shareholders' Equity	78,154	57,421	20,733	36.1%
Minority interest	-	-	-	-
Total Equity	**78,154**	**57,421**	**20,733**	**36.1%**

Group shareholders' equity as at 31 December 2020 amounted to Euro 78,154 thousand (Euro 57,421 thousand as at 31 December 2019), showing an increase of Euro 20,733 thousand.
The increase in equity for the year 2020 is attributable to the combined effect of (i) the profit for the year 2019 amounting to Euro 33,007 thousand, (ii) the distribution of dividends for Euro 12,250 thousand, (iii) the decrease in other reserves for Euro 24 thousand, net of the allocation of 3.8% of the profit for the year 2019 amounting to Euro 721 thousand.

The item Other reserves as at 31 December 2020 and 2019, with the related changes during the year, is broken down below.

(Amounts in Euro thousands)

	As at 31 December		Change	
	2020	2019	2020 vs 2019	2020 vs 2019 %
Legal reserve	1,933	1,212	721	59.5%
Premium reserve	3,517	3,517	-	0.0%
Retained earnings and actuarial losses	(100)	(90)	(10)	11.1%
FTA reserve	(951)	(951)	-	0.0%
Hedging reserve	(211)	(197)	(14)	7.1%
Total other reserves	**4,188**	**3,491**	**697**	

The item "Other reserves", for the years ended 31 December 2020 and 2019, shows a balance of Euro 4,188 thousand and Euro 3,491 thousand, respectively, and is comprised of (i) Legal reserve for Euro 1,933 thousand and Euro 1,212 thousand, respectively, whose movements in the period are mainly due to the allocation of the share of the result for the year as provided for by the regulation, (ii) Share premium reserve for Euro 3,517 thousand as at 31 December 2020 and 2019, and (iii) Reserve for actuarial gains and losses for Euro (100) thousand and Euro (90) thousand, respectively, whose movements in the two years are related to the recognition of actuarial gains/losses associated with changes in the present value of the defined benefit plan obligation, (iv) "First Time Adoption" reserve amounting to Euro (951) thousand in both years in which the effects of the adjustments of the accounting balances, consequent to the conversion operations carried out at the time of the transition to the international accounting standards, are recorded, (v) Hedging reserve amounting to Euro (211) thousand and Euro (197) thousand respectively, relating to hedging derivative contracts entered into by the Group.

For the purposes of managing the Group's capital, it has been defined that this includes the issued share capital, the share premium reserve and all other capital reserves attributable to the shareholders of the parent company. The primary objective of capital management is to maximise shareholder value. The Group manages the capital structure and makes adjustments based on the economic conditions and the requirements of financial covenants. In order to maintain or adjust the capital structure, the Group could intervene on the dividends paid, and repay the capital. The Group controls equity using a gearing ratio, consisting of the ratio of net financial indebtedness to shareholders' equity. The Group's policy is to keep this ratio below 0.7.

Capital management	**2020**	**2019**
Non-current financial liabilities	35,779	26,448
Current financial liabilities	21,203	14,584
(Cash and cash equivalents and short-term deposits)	(37,989)	(21,372)
Net financial indebtedness (A)	**18,993**	**19,660**
Shareholders' equity (B)	**78,154**	**57,421**
Gearing ratio (A/B)	**0.24**	**0.34**

In order to achieve this objective, the Group's capital management aims, among other things, to ensure that the covenants, linked to interest-bearing financing and loans, which define the capital structure requirements, are respected. Violations of the covenants would allow banks to request immediate repayment of loans and financing.

In the current year, there were no violations in the covenants linked to interest-bearing financing and loans.

During the years ended 31 December 2020 and 2019, no changes were made to the objectives, policies and procedures for the capital management.

20. EMPLOYEE BENEFIT OBLIGATIONS

The movement in the provision during the year was as follows:

As at 1 January 2019	818
Provisions	129
Utilisations	(89)
Interest	12
Actuarial gains and losses	53
As at 31 December 2019	923
Provisions	160
Utilisations	(89)
Interest	7
Actuarial gains and losses	13
As at 31 December 2020	1,014

The measurement of Employee severance indemnity for IAS purposes follows the method of projection of the present value of the defined benefit obligation with the estimate of the benefits accrued by personnel.
Following the amendments introduced by Law no. 296 of 27 December 2006 ("2007 Finance Law") and subsequent decrees and implementing regulations, amounts of employee severance indemnity accrued up to 31 December 2006 will continue to remain with the company as they represent a defined benefit plan (obligation for benefits accrued subject to actuarial evaluation), while amounts accruing from 1 January 2007, due to the decisions made by the employees during the year, will be allocated to forms of complementary pension or transferred from the company to the treasury provision managed by INPS (Italian National Social Security Institution), as they represent, from the moment the decision is formalised by the employee, defined contribution plans (no longer subject to actuarial evaluation).
The calculation of employee severance indemnity is therefore the result of the application of an actuarial model, based on various demographic and economic assumptions. The technical-economic bases used are reported in the table below:

	%
Discount rate	**0.34**
Future salary increases	**0.80**
Annual rate of increase of Employee severance indemnity	**2.10**
Inflation rate	**1.00**

The following tables provide information on:

- sensitivity analysis for each relevant actuarial assumption at the end of the year, showing the effects that would have occurred as a result of changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- indication of the contribution for the following year;
- indication of the average financial duration of the obligation for defined benefit plans;
- disbursements envisaged by the plan.

SENSITIVITY ANALYSIS OF THE MAIN VALUATION PARAMETERS

Turnover rate +1%	998
Turnover rate -1%	1,033
Inflation rate +0.25%	1,038
Inflation rate -0.25%	991
Discount rate +0.25%	985
Discount rate -0.25%	1,045

SERVICE COST AND DURATION

Service Cost profuture	146
Plan duration	17.9

ESTIMATED FUTURE DISBURSEMENTS

Years	
1	54
2	52
3	56
4	60
5	68

21. PROVISIONS

The item 'Provisions' is detailed hereunder:

	31 December 2020	31 December 2019
Employees severance benefit and similar obligations	2,274	1,718
Other provisions for risks	2,778	2,919
Total non-current provisions for risks and charges	**5,052**	**4,637**

The employees severance benefit and similar obligations refers to the pension provision and compensation to employees of the French branch amounting to about Euro 469 thousand and the compensation for the termination of agent contracts for Euro 1,805 thousand of the subsidiary U-Group.

The item 'Other provisions' refers mainly to risks on employee contributions of the Tunisian branch for around Euro 2.3 million, as well as pending legal proceedings concerning the French company Jallatte, whose risk of being the losing party has been estimated as likely.

The movement of the provisions during the year was as follows:

	Employees severance benefit and similar obligations	Other provisions for risks	Total
As at 1 January 2020	1,718	2,919	4,637
Utilisation - 2020	(65)	0	(65)
Provision - 2020	621	0	621
Exchange rate effect	0	(141)	(141)
As at 31 December 2020	2,274	2,778	5,052

22. FINANCIAL LIABILITIES

Financial liabilities are detailed below:

	31 December 2020	31 December 2019
Bank bonds	3,627	-
Payables due to banks	16,432	13,097
Payables for rights of use	1,144	1,487
Total current financial liabilities	**21,203**	**14,584**
Bank bonds	21,125	9,897
Payables due to banks	9,237	11,059
Payables for rights of use	5,105	5,232
Derivative financial instruments	312	260
Total non-current financial liabilities	**35,779**	**26,448**
Total financial liabilities	*56,982*	*41,032*

	Payables due to banks and bonds	Payables for rights of use	Derivative financial instruments
As at 1 January 2020	34,053	6,718	260
Cash flows	16,368	(4,406)	
Change in fair value			52
Rights of use		3,937	
As at 31 December 2020	50,421	6,249	312
of which current	20,059	1,144	-
of which non-current	30,362	5,105	312

22.1. PAYABLES DUE TO BANKS AND BONDS

Bank accounts are broken down by nature below:

Company	Institute	Description	Currency	Start date	Expiry date	Initial loan in Euro	Balance to be repaid in Euro	Interest rate	Fee maturity
U-Invest S.r.l.	Biverbanca	Unsecured mortgage	Euro	03/03/2016	02/03/2021	500	27	Euribor 6M + 290 bps	Quarterly
U-Invest S.r.l.	UBI	Unsecured Loan	Euro	18/02/2020	18/02/2023	5,000	4,452	1.00%	Monthly
U-Invest S.r.l.	Banca Sella	Unsecured mortgage	Euro	20/11/2019	20/11/2021	1,500	689	0.50%	Monthly
U-Invest S.r.l.	IBM	Unsecured Loan	Euro	01/03/2020	28/02/2022	52	30	n,a,	Quarterly
U-Group S.r.l	Banco Desio	Unsecured mortgage	Euro	25/07/2019	10/08/2023	1,000	795	0.95%	Monthly
U-Group S.r.l	Banco BPM	Unsecured Loan	Euro	22/10/2019	30/12/2022	1,000	670	0.90%	Quarterly
U-Group S.r.l.	Bnl	Mini mortgage production cycle	Euro	16/05/2019	17/05/2021	3,000	1,833	0.85%	Monthly
U-Group S.r.l.	Banca Sella	Unsecured mortgage	Euro	17/04/2020	17/09/2021	250	188	0.35%	Monthly
U-Group S.r.l.	Intesa San Paolo	Unsecured Loan	Euro	05/06/2020	05/12/2021	3,500	3,500	0.75%	Monthly
U-Group S.r.l.	BNL Mediocredito	Medium/long-term Loan	Euro	12/09/2020	09/09/2026	5,000	5,000	Euribor 3M + 90 bps	Quarterly
U-Group S.r.l.	Banco BPM	Unsecured Loan	Euro	22/04/2020	30/06/2022	2,000	2,000	1.05%	Quarterly
Medium/long-term bank loan							**19,183**		
U-Group S.r.l.	Banco Desio	Advances subject to collection	Euro	27/09/2018	A revoca	1,200	1,000	n,a,	n.a.
U-Group S.r.l.	Intesa San Paolo	Advances subject to collection	Euro				1,500	n,a,	n.a.
U-Group S.r.l.	Intesa San Paolo	Advances subject to collection	Euro				1,600	n,a,	n.a.
U-Group S.r.l.	Credem	Advances subject to collection	Euro	24/10/2019	A revoca	2,500	2,300	n,a,	n.a.
Other	Other	Advance lines	Euro				87	n,a,	n.a.
Current bank loan							**6,487**		
Bank Loan							**25,670**		

The balance of payables due to banks and bonds as at 31 December 2020 totalled Euro 50,421 thousand, and represents the actual payable of principal, interest and additional charges accrued and due to banks; these payables were optimised last year; in fact, on 23.06.2020 a refinancing operation of the loan with the bank Unicredit S.p.a. was resolved, starting from 2018, as well as a further raising of funds.

In particular, the parent company had outstanding:

- Non-convertible debt security issued on 28.06.2018 pursuant to article 2483 of the Italian Civil Code for a total amount of Euro 10,000 thousand maturing on 28.06.2022 (recorded under "Bonds - due after 12 months")
- Medium-term loan granted in two tranches during 2018 for a total amount of Euro 10,000 thousand maturing in 2023 (recorded under "Payables due to banks")

This transaction was carried out by means of the early repayment of the existing financial indebtedness referred to above and the raising of additional financial funding and stated under the item "bank bonds", as follows:

- issue on 29.06.2020 by the company, and subscription by UniCredit (a qualified investor subject to prudential supervision), of 250 new debt securities pursuant to article 2483 of the Italian Civil Code with a unit nominal value of Euro 100 thousand each, for a total principal amount of Euro 25,000 thousand, under the following conditions:
  - issue and redemption price at maturity: at par;
  - maturity date: 29.06.2023
  - repayment: according to a quarterly amortisation plan with constant capital of Euro 1,875 thousand with first payment on 29.09.2021 and payment of Euro 11,875 thousand at maturity.
  - floating interest rate linked to the 3-month Euribor rate.
- early repayment of the Medium-term Loan for the capital of Euro 6,825 thousand and of the Debt Security for Euro 10,000 thousand through the use of part of the funds deriving from the issue of the new Debt Security.

It should be noted that the debt securities are guaranteed by a pledge contract on financial assets (securities and amounts deposited on current accounts) owned by the Company for a total value of at least Euro 5,000 thousand. More specifically:
Pledge on securities recorded as financial assets for Euro 1,315 thousand.
Pledge on amounts deposited in a current account with Unicredit Spa with a balance as at 31 December 2020 of Euro 3,951 thousand.
The debt security was recorded under "Bonds - expiring within and after 12 months".
The book value was determined on the basis of the amortised cost criterion.
It should also be noted that the aforementioned contracts are subject to economic/financial parameters; a check is performed annually following approval of the financial statements to ensure the financial covenants are met, and all indicators show that these covenants have been fully respected.

22.2. PAYABLES FOR RIGHTS OF USE

The item refers to payables relating to rights of use and leasing recognised in the financial statements, as required by IFRS 16.

22.3. DERIVATIVE FINANCIAL INSTRUMENTS

In order to hedge the loans in place, the company stipulated derivative contracts in the form of Interest Rate Swaps. These transactions are cash flow hedges of the loans in place, falling within the scope of hedge accounting.

For more details relating to derivative financial instruments, please refer to paragraph 7.

23. TRADE PAYABLES

Payables due to suppliers are recognised net of trade discounts; cash discounts are instead recognised at the moment of payment. The nominal value of these payables has been adjusted, to the extent corresponding to the amount defined with the counterparty, at the time of returns or rebates.
This item is composed entirely of payables expiring within the next financial year.

The table below shows the breakdown by geographical area:

	31 December 2020	31 December 2019
Italian Suppliers	30,552	27,132
EU Suppliers	3,415	3,022
Non-EU Suppliers	7,848	5,380
Total	**41,815**	**35,534**

The increase in trade payables is in proportion to the growth in Group activities.

The breakdown of the Group's trade payables as at 31 December 2020 and 2019 by maturity is shown below:

	31 December 2020	inc %	31 December 2019	inc %
Falling due receivables	38,581	92.3%	33,304	93.7%
Past due from 0 to 3 months	1,570	3.8%	585	1.6%
Past due from 3 to 9 months	60	0.1%	562	1.6%
Past due from 9 to 12 months	562	1.3%	405	1.1%
Past due after 12 months	1,042	2.5%	678	1.9%
Total trade payables	**41,815**		**35,534**	

24. INCOME TAX PAYABLES

The breakdown of the item at the year-end date is reported below.

	31 December 2020	31 December 2019
VAT	312	803
Taxes and duties	5,931	1,698
Tax withholdings	2,660	4,000
Total	**8,903**	**6,501**

The increase in the item Taxes and duties is mostly related to the provision for tax disputes of the Tunisian subsidiaries, treated in compliance with the provisions of IFRIC 23.

25. OTHER CURRENT LIABILITIES

The breakdown of the item at the year-end date is reported below.

	31 December 2020	31 December 2019
Payables due to social security and welfare institutions	2,087	1,964
Payables due to employees	2,537	3,028
Other payables	95	53
Total	**4,719**	**5,045**

26. REVENUES FROM CONTRACTS WITH CUSTOMERS

The item refers to the typical revenues of the Group, referring entirely to the sale of Safety Footwear and Workwear and is detailed as follows:

	2020	Incidence %	2019	Incidence %	2020 vs 2019	2020 vs 2019 %
Safety footwear	*158,674*	*92.0%*	*153,670*	*96.2%*	*5,004*	*3.3%*
of which U-Power trademark	113,141	65.6%	105,661	66.1%	7,480	7.1%
of which Jallatte trademark	23,010	13.3%	20,808	13.0%	2,202	10.6%
of which Aimont trademark	8,743	5.1%	8,989	5.6%	-246	-2.7%
of which private label	11,861	6.9%	15,519	9.7%	-3,658	-23.6%
of which other trademarks	1,919	1.1%	2,692	1.7%	-773	-28.7%
Safety workwear	*13,862*	*8.0%*	*6,121*	*3.8%*	*7,741*	*126.5%*
of which U-Power trademark	13,862	8.0%	6,121	3.8%	7,741	126.5%
Total revenues from contracts with customers	**172,536**	**100.0%**	**159,791**	**100.0%**	**12,745**	**8.0%**
Total U-Power trademark	127,003	73.6%	111,783	70.0%	15,220	13.6%
Total Jallatte trademark	23,010	13.3%	20,808	13.0%	2,202	10.6%
Total Aimont trademark	8,743	5.1%	8,989	5.6%	-246	-2.7%
Total private label	11,861	6.9%	15,519	9.7%	-3,658	-23.6%
Total other trademarks	1,919	1.1%	2,692	1.7%	-773	-28.7%
Total revenues from contracts with customers	**172,536**	**100.0%**	**159,791**	**100.0%**	**12,745**	**8.0%**

Safety Footwear revenues increased from Euro 153,670 thousand for the year ended 31 December 2019 to Euro 158,674 thousand for the year ended 31 December 2020, showing an increase of Euro 5,004 thousand (+3.3%), due to the rise in sales of products with cutting-edge technologies adopted by the Group, such as the Infinergy insert with very high energy return used for example in the Red Lion line.

More specifically:

- U-Power trademark's revenues, for the Safety Footwear product category, amounted to Euro 113,141 thousand for the year ended 31 December 2020, compared to Euro 105,661 thousand for the year ended 31 December 2019, showing an increase of Euro 7,480 thousand (+7.1%). This is mainly due on the one hand to the consolidation of sales of the in the medium-high-end models and collections, with a contemporary design and equipped with highly innovative and performing technical systems, as well as to the effect of the strategic strengthening of the U-Power trademark through advertising investments in Italy and in the other countries the Group operates in and the various sponsorship campaigns underway;
- Jallatte trademark's revenues, for the Safety Footwear product category, amounted to Euro 23,010 thousand for the year ended 31 December 2020, compared to Euro 20,080 thousand for the year ended 31 December 2019, showing an increase of Euro 2,203 thousand (+10.6%). This is mainly due, on the one hand, to the increase in average sales prices, and, on the other, to integrated commercial policies and the introduction of new medium-high-end product lines that have enabled the Jallatte trademark to assert its status as a reference point for the French market;
- Aimont trademark's revenues, for the Safety Footwear product category, amounted to Euro 8,743 thousand for the year ended 31 December 2020, compared to Euro 8,989 thousand for the year ended 31 December 2019, showing a substantial stability with the previous year;
- Private label *revenues*, for the Safety Footwear product category, amounted to Euro 11,861 thousand for the year ended 31 December 2020, compared to Euro 15,519 thousand for the year ended 31 December 2019, showing a decrease of Euro 3,658 thousand (-23.6%), due to the replacement of private label products in favour of Group's own branded products, which are more profitable;
- Revenues from other trademarks, for the Safety Footwear product category, mainly include revenues related to minority trademarks, including Auda and Lupos and amounted to Euro 1,919 thousand for the year ended 31 December 2020, compared to Euro 2,692 thousand for the year ended 31 December 2019, showing a decrease of Euro 774 thousand (-28.7%) due to the replacement of minority trademarks in favour of better known trademarks such as U-Power and Jallatte.

U-Power trademark's revenues, for the Safety Workwear product category, amounted to Euro 13,862 thousand for the year ended 31 December 2020, compared to Euro 6,121 thousand for the year ended 31 December 2019, showing an increase of Euro 7,741 thousand (+126.5%), mainly due to the combined effect of the introduction of new items with an attractive design and the strengthening of the trademark as described above.

The breakdown of sales by geographical area, in thousands of Euro, is reported below:

	2020	Incidence %	2019	Incidence %	2020 vs 2019	2020 vs 2019 %
Italy	84,450	48.9%	70,301	44.0%	14,149	20.1%
France	57,819	33.5%	57,975	36.3%	-156	-0.3%
Germany	9,991	5.8%	11,567	7.2%	-1,576	-13.6%
Spain	9,206	5.3%	7,535	4.7%	1,671	22.2%
United Kingdom	3,749	2.2%	4,257	2.7%	-508	-11.9%
Rest of the world	7,321	4.2%	8,156	5.1%	-835	-10.2%
Total revenues from contracts with customers	**172,536**	**100.0%**	**159,791**	**100.0%**	**12,745**	**8.0%**

As regards the analysis of revenues from contracts with customers by geographical area:

- Italy continued to be the Group's main market, recording revenues amounting to Euro 84,450 thousand for the year ended 31 December 2020 (48.9% of the total) compared to Euro 70,301 thousand for the year ended 31 December 2019 (44.0% of the total) with an increase of Euro 14,149 thousand (+20.1%), due to the rising sales of the U-Power trademark that, as described above, is the result of the consolidation of the sale of medium-high-end models and collections (with contemporary design and equipped with highly innovative and performing technical systems) and the strategic strengthening of the trademark through advertising investments and sponsorships;
- France steadily represents the Group's second market, recording revenues amounting to Euro 57,819 thousand for the year ended 31 December 2020 (33.5% of the total) and is therefore substantially in line with the Euro 57,975 thousand obtained for the year ended 31 December 2019.
- Germany is the Group's third largest market, with revenues amounting to Euro 9,991 thousand for the year ended 31 December 2020 (5.8% of total revenues) compared to Euro 11,567 thousand for the year ended 31 December 2019 (7.2% of total revenues), with a decrease of Euro 1,576 thousand (-13.6%), mainly due to the replacement of some customers using their own trademarks (private labels) that were no longer in line with the Group's margin strategy.
- Spain is the Group's fourth market, recording revenues amounting to Euro 9,206 thousand for the year ended 31 December 2020 (5.3% of the total) compared to Euro 7,535 thousand for the year ended 31 December 2019 (4.7% of the total) with an increase of Euro 1,671 thousand (+22.2%) that, as for Italy, is due to the enhanced sales of the U-Power trademark through medium-high-end models and collections and through advertising investments.

27. OTHER INCOME

Other income came to Euro 1,282 thousand, and is broken down as follows.

	2020	2019
Transport reimbursements	278	357
Other revenues	1,004	900
Total	**1,282**	**1,257**

Other income amounted to Euro 1,282 thousand for the year ended 31 December 2020, compared to Euro 1,257 thousand for the year ended 31 December 2019, showing an increase of Euro 25 thousand (+2.0%), substantially in line with the previous year. The item other revenues mainly includes contingent assets due to the reversal of liabilities relating to previous years and an indemnity received for early withdrawal from a sponsorship agreement in force.

28. RAW MATERIALS, CONSUMABLES AND SUPPLIES

The item ‘ Raw materials, consumables and supplies’ is detailed as follows:

	2020	2019
Purchase of raw materials	47,433	54,477
Purchase of finished products	12,929	9,519
Other purchases	3,151	2,870
Change in inventory of raw materials	(112)	(2,864)
Change in inventory of finished products	(3,683)	(7,514)
Total	**59,718**	**56,488**

The increase in purchases is directly related to the growth in sales.
For comments on the change in inventories, please refer to paragraph 13.

The table below shows purchases and changes in inventories broken down by reference currency, compared to the years ended 31 December 2020 and 2019.

	2020	% of the total	2019	% of the total
EUR	45,261	75.8%	47,312	83.8%
TND	1,876	3.1%	1,976	3.5%
USD	12,580	21.1%	7,200	12.7%
GBP	1	0.0%	0	0.0%
Total purchases of raw materials and change in inventories	**59,718**	**100.00%**	**56,488**	**100.00%**

The increase in purchases in USD is mainly due to the increase in safety workwear purchases during the year.
Since the incidence of purchase costs, expressed in currencies other than the euro, on the total purchase costs is approximately 25%, the costs of the Group were not significantly affected by the exchange rate trend.

29. PERSONNEL COSTS

The item 'Personnel costs' is detailed as follows:

	2020	2019
Wages and salaries	23,250	22,357
Social security costs	4,992	4,659
Employee severance indemnity	165	142
Total	**28,407**	**27,158**

The following table shows the amounts of personnel costs broken down by reference currency, compared to the total amount of these costs for the years ended 31 December 2020 and 2019.

	2020	% on total personnel costs	2019	% on total personnel costs
EUR	10,578	37.2%	10,702	39.4%
TND	17,591	61.9%	16,196	59.6%
GBP	238	0.8%	260	1.0%
Total personnel expense	**28,407**	**100.0%**	**27,158**	**100.0%**

Personnel costs are mainly related to the costs of the production affiliates in Tunisia.
New staff were hired during the year, which led to an increase in the associated costs, together with contractual increases for the employees of the Tunisian plants.

The following table indicates the number of employees, broken down by category at the end of the period:

	2020	2019
Executives	15	15
White-collar employees and Middle Managers	128	129
Blue-collar workers	4,208	4,155
Total	**4,351**	**4,299**

30. COST OF SERVICES

Cost of services is detailed as follows:

	2020	2019
Marketing	11,725	12,173
Agent commissions	8,651	7,893
Transport	7,311	7,190
Other expenses	4,089	3,844
Logistics	2,777	2,390
Utilities	2,208	2,182
Advisory services	2,162	2,008
Bank charges	616	741
Travel and transfer expenses	372	650
Maintenance	615	702
Insurance	476	440
Production sub-contractors	-	150
Total	**41,002**	**40,363**

Cost of services increased for about Euro 639 thousand compared to the previous year.
The most significant increases were recognised in agent commissions, logistics and transport and are directly related to increased sales to customers.
Agent commissions increased due to both the increase in turnover and the effect of the shifting of product sales towards the higher end bracket, which therefore involve higher commissions.
The trend in sales, and the improvement in the service offered to customers, also with shipments split into more batches, also influenced the trend in logistics and transport costs.
The marketing item remains the main item for cost of services, in view of the considerable investments in sponsorship and advertising, and is slightly down as a result of the cancellation of trade fairs due to the SARS-Cov2 pandemic.

31. OTHER OPERATING EXPENSES

Other operating expenses are detailed below:

	2020	2019
Other expenses	438	618
Indirect taxes and duties	765	513
Losses on receivables	94	124
Provisions for risks and charges	90	-
Cost for use of third-party assets	512	306
Total	**1,899**	**1,561**

32. DEPRECIATION AND AMORTISATION

The table below shows the details of the Group's depreciation and amortisation for the years ended 31 December 2020 and 31 December 2019.

	2020	% of total Revenues and Income	2019	% of total Revenues and Income	2020 vs 2019	2020 vs 2019 %
Depreciation of property, plant and equipment	4,134	2.4%	3,968	2.5%	166	4.2%
Amortisation of intangible assets	1,033	0.6%	1,125	0.7%	-92	-8.2%
Depreciation of right-of-use	1,188	0.7%	1,186	0.7%	2	0.2%
Total depreciation and amortisation	**6,355**		**6,279**	**4%**	**76**	**1.2%**

The amount of depreciation and amortisation is in line with the previous year.

33. WRITE-DOWNS

	2020	% of total Revenues and Income	2019	% of total Revenues and Income	2020 vs 2019	2020 vs 2019 %
Write-downs of other assets	352	0.2%	377	0.2%	-25	-6.8%
Total amortisation/depreciation and write-downs	**352**		**377**	**4%**	**-25**	**-6.8%**

34. FINANCIAL INCOME

Financial income for the year amounted to Euro 101 thousand, and mainly refers to interest income.

35. FINANCIAL EXPENSES

Financial expenses are detailed below:

	2020	2019
Interest and other financial expenses from other companies: interest expense	965	967
Interest on leasing	237	246
Interest on Employee severance indemnity	7	7
Total	**1,209**	**1,220**

The restructuring of the indebtedness of the year and described in point 21.1 determined a decrease of bank interest expenses, despite the increase in financial payables.

36. OTHER FINANCIAL INCOME AND EXPENSE

Other financial income and expenses are detailed below:

	2020	2019
Net gains/losses on exchange	(39)	705
Revaluation of financial assets	(24)	-
Write-down of financial assets	44	-
Total	**(19)**	**705**

The exchange differences relate to both actual gains/losses realised during the year and gains/losses ascertained at the exchange rate in force at the date of close of the financial statements.
Assets and liabilities in currency mainly concern the Tunisian affiliates, plus the transactions in Pound sterling relating to the UK market and transactions in USD relating to the importing from Oriental markets of basic safety footwear and workwear.
The item also includes write-downs and revaluations of financial assets relating to derivative instruments not recognised under hedge accounting.

37. INCOME TAX EXPENSES

The item income tax expenses includes the IRAP (regional business tax) and IRES (corporate income tax) of the parent company and the Italian subsidiaries, plus the taxes due from the French and Tunisian affiliates

	2020	2019
Current taxes	13,267	9,578
Deferred tax liabilities and deferred tax assets	(11,277)	(1,498)
Total	**1,990**	**8,080**

The increase in current taxes is linked to the improvement of the group profit.
The decrease in the item deferred tax assets and deferred tax liabilities is mainly due to the tax relevance of the revaluation of the patent concerning *"Energising safety shoe"* and of the U-Power trademark carried out by the parent company (as better specified in note 11), in addition to the adjustment of the allocation of tax losses of the subsidiary Jallatte, and is partially offset by the provision for tax disputes of the Tunisian subsidiaries.

The table below shows the reconciliation of the effective tax burden of the Group in the years ended 31 December 2020 and 2019

	2020		2019	
Profit before taxes	**34,996**	**inc, %**	**27,046**	**inc, %**
Theoretical tax burden	6,567	18.8%	4,875	18.0%
Losses of French subsidiaries (net DTAs)	(3,666)	(10.5%)	(1,021)	(3.8%)
Dividends and non-distributable profits	1,654	4.7%	2,873	10.6%
Trademark revaluation	(6,971)	(19.9%)	-	0.0%
Tax risks	3,946	11.3%	-	0.0%
Other permanent differences	(317)	(0.9%)	570	2.1%
IRAP	777	2.2%	782	2.9%
Actual tax burden	**1,990**	**5.7%**	**8,080**	**29.9%**

38. INFORMATION ON THE FINANCIAL RISKS THE GROUP IS EXPOSED TO

To improve the understanding of the financial instruments' impact on the equity and financial position, result of operations and the Group's cash flows, some qualitative information are provided below to facilitate the understanding of the Group's exposure to the various types of risks on the financial instruments in place and the related management policies.
The activities are exposed to various types of risk, including the credit risk and liquidity risk, the exchange rate risk and the interest rate risk.

CREDIT RISK

Credit risk is the risk of potential losses deriving from the non-fulfilment of obligations undertaken by both commercial and financial counterparties. This risk can be associated with situations of default of the counterparty originating both from technical-commercial factors (e.g. disputes on the nature/quality of the product, on the interpretation of contractual clauses, etc.) and from the circumstance that one of the parties causes a loss to the other party by not fulfilling the obligation. This risk arises with respect to trade receivables, cash and cash equivalents, financial instruments, deposits with banks and other financial institutions.

The type of customers targeted by the Group's products allows the Group to assess the credit risk as medium.
In procedural terms, the credit positions claimed by the Group are periodically monitored to verify compliance with the contractual terms envisaged for payment. The Group has procedures in place to ensure that product sales are carried out to customers with high reliability and high economic-financial strength, taking into account their financial position, past experience and other factors.

LIQUIDITY RISK

Liquidity risk is defined as the risk that an entity may have difficulty in meeting the obligations associated with financial and commercial liabilities within the pre-set terms and due dates.
The prudent management of the liquidity risk originating from the usual operating activities of the Group that allows an adequate level of cash and cash equivalents to be maintained enables it to assess the liquidity risk as low.
As regards the reconciliation between the liabilities reported in the statement of financial position and the cash flows, as well as the maturity dates of the financial indebtedness, please refer to the tables in Note 20.
It should be noted that there are unused credit lines for approximately Euro 21 million.

INTEREST RATE RISK

The Group is exposed to risks related to interest rate trends linked to financial indebtedness, which it uses, in particular, through medium/long-term loan agreements at floating interest rates.

In the period under review, the Group entered into and activated contracts to hedge against the risk of interest rate fluctuations on medium/long-term loan agreements.

The Group monitors the exposure to the interest rate risk and proposes suitable hedging strategies to contain the exposure within the limits defined by the Group's Finance, Administration and Control Department, by entering into the above derivative contracts, if necessary.

A sensitivity analysis is presented below, which shows the effects on the consolidated net result deriving from an increase/decrease in interest rates of 50 basis points compared to the specific interest rates as at 31 December 2020 and 2019 and of a constant situation of other variables, excluding the effects of hedging derivatives:

	2020		2019	
Change	**-0.50%**	**0.50%**	**-0.50%**	**0.50%**
Euro (Euribor)	0	204	0	134
Total	**0**	**204**	**0**	**134**

The *sensitivity analysis* as at 31 December 2020 and 2019 for the financial indebtedness of U-Invest is shown below, which illustrates the potential effects deriving from changes in the interest rate on an annual basis, including the effects of hedging derivatives:

	2020		2019	
Change	**-0.50%**	**0.50%**	**-0.50%**	**0.50%**
Euro (Euribor)	0	33	0	27
Total	**0**	**33**	**0**	**27**

The potential impacts reported above are calculated by taking as a reference the liabilities that represent the most significant part of the debt at the reference date and by calculating, on this amount, the potential effect deriving from the change in interest rates on an annual basis.
The liabilities subject to this analysis include floating-rate financial payables and derivative financial instruments whose value is affected by changes in interest rates.

EXCHANGE RATE RISK

The Group is present at international level and is therefore exposed to exchange rate risk generated by changes in the value of trade and financial flows in currencies other than the reporting currencies of the individual companies.

The following table shows the amounts and percentage incidences of revenues in foreign currency, broken down by reference currency, compared to the total amount of revenues for the years ended 31 December 2020 and 2019.

	2020	inc %	2019	inc %
EUR	**170,786**	**98.3%**	**157,245**	**97.6%**
GBP	0	0.0%	3,487	2.2%
TND	18	0.0%	304	0.2%
USD	3,014	1.7%	12	0.0%
Total revenues and income	**173,818**	**100.0%**	**161,048**	**100%**

Since the incidence of revenues, expressed in currencies other than the euro, on the total revenues and income is not significant, the revenues of the Group were not significantly affected by the exchange rate trend.

The following table shows the amounts of the total purchases of raw materials and changes in inventories broken down by reference currency, compared to the total amount of these costs for the years ended 31 December 2020 and 2019.

	2020	% of the total Revenues and Income	2019	% of the total Revenues and Income
EUR	(45,261)	26.0%	(47,312)	83.8%
TND	(1,876)	1.1%	(1,976)	3.5%
USD	(12,580)	7.2%	(7,200)	12.7%
Others (USD / CHF)	(1)	0.0%	(0)	0.0%
Total purchases of raw materials and change in inventories	**(59,718)**	**34.4%**	**(56,488)**	**100.0%**

Since the incidence of purchase costs, expressed in currencies other than the euro, on the total purchase costs is insignificant, the costs of the Group were not significantly affected by the exchange rate trend.

The following table shows the amounts of personnel costs broken down by reference currency, compared to the total amount of these costs for the years ended 31 December 2020 and 2019.

	2020	% of the total Revenues and Income	2019	% of the total Revenues and Income
EUR	(10,578)	6.1%	(10,702)	39.4%
TND	(17,591)	10.1%	(16,196)	59.6%
GBP	0	0.0%	(260)	1.0%
Altre (USD / CHF)	(238)	0.1%	-	0.0%
Total personnel expenses	**(28,407)**	**16.3%**	**(27,158)**	**48.1%**

The Group therefore believes that the currency balance appears to be balanced, and consequently, during the period under analysis, it did not subscribe financial instruments to hedge the risk of fluctuations in exchange rates with reference to commercial transactions.

In detail, the main exchange rates that affect the Group concern:

- Euro / British Pound Sterling: in relation to commercial transactions carried out by companies operating in the Eurozone on the British market and vice versa;
- Euro / Tunisian Dinar: in relation to commercial transactions carried out by companies operating in the Eurozone on the Tunisian market and vice versa;
- Euro / US Dollar: in relation to commercial transactions carried out by companies operating in the Eurozone on the Asian market and vice versa.

The following table shows, with reference to the main monetary assets and liabilities, the amounts, as at 31 December 2020 and 2019, of the exposures in currencies other than the reporting currency of each of the Group companies, with their impact on the total of the respective items:

Amounts in Euro thousands

	As at 31 December 2020								
	EUR	% incidence on the total	TND	% incidence on the total	USD	% incidence on the total	GBP	% incidence on the total	Total
Trade receivables	51,097	99.2%	(52)	-0.1%	-	0.0%	464	0.9%	51,510
Trade payables	38,072	91.0%	1,676	4.0%	2,028	4.8%	38	0.1%	41,815
Total	**89,169**		**1,624**		**2,028**		**502**		**93,325**

Amounts in Euro thousands

	As at 31 December 2019								
	EUR	% iincidence on the total	TND	% incidence on the total	USD	% incidence on the total	GBP	% incidence on the total	Total
Trade receivables	40,941	95.8%	1,256	2.9%	-	0.0%	500	1.2%	42,697
Trade payables	34,354	95.7%	920	2.6%	182	0.5%	78	0.2%	35,534
Total	**75,295**		**2,176**		**182**		**578**		**78,231**

A sensitivity analysis is presented below, which shows the effects on the net result, and consequently also on the consolidated equity, deriving from an increase/decrease in the exchange rates of foreign currencies compared to the effective exchange rates as at 31 December 2020 and 31 December 2019.

As part of the sensitivity analyses illustrated below, the effect was determined without taking into account the tax effect.

Amounts in Euro thousands

	As at 31 December 2020					
	-5.00%	5.00%	-10.00%	10.00%	-15.00%	15.00%
TND	645	(583)	1,361	(1,114)	2,162	(1,598)
USD	21	(19)	45	(37)	72	(53)
GBP	(29)	27	(62)	51	(99)	73
Total	**637**	**(576)**	**1,344**	**(1,100)**	**2,135**	**(1,578)**

Amounts in Euro thousands

	As at 31 December 2019					
	-5.00%	5.00%	-10.00%	10.00%	-15.00%	15.00%
TND	395	(357)	833	(682)	1,323	(978)
USD	(60)	54	(126)	103	(200)	148
GBP	(27)	24	(57)	46	(90)	66
Total	**308**	**(279)**	**650**	**(532)**	**1,033**	**(763)**

Investment commitments

There are no investment commitments.

Guarantees

There are no guarantees not already represented in the financial statements.

Contingent liabilities

There are no contingent liabilities other than those resulting from the financial statements.

39. DISCLOSURE ON RELATED PARTIES

Note 5 reports information relating to the Group structure, including details on the subsidiaries and the parent company. All transactions are settled at standard market conditions, considering the characteristics of the goods and services provided. The following table provides the total amount of the transactions with related parties for the year:

Amounts in thousands of Euro

	Receivables	Payables	Revenues	Costs
Fin Reporter S.r.l. (parent company)	9	2,253	0	173
PFU S.r.l. (related company)	4	0	4	0
Total	**12**	**2,253**	**4**	**173**

Payables due to the parent company Fin Reporter mainly refer to the tax consolidation.

The company is not subject to management and coordination activities by other entities.

40. SEGMENT REPORTING

IFRS 8 - Operating segments requires operating segments to be identified on the basis of the internal reporting system that the company's top management uses to allocate resources and assess performance. The products distributed by the Company do not present, with regard to their economic and financial characteristics, elements that are significantly different from each other in terms of the nature of the product, the nature of the production process, distribution channels, geographical distribution or type of customer. Therefore, in light of the requirements of paragraph 12 of the standard, the subdivision required by the accounting standard is not necessary because it is considered to be of limited disclosure for the reader of the financial statements.

41. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Pursuant to art. 2427, paragraph 1, number 22-quater of the Italian Civil Code, the significant events after the close of the year are outlined.

No significant events occurred after the end of the year that could impact these financial statements.

The Group continues to monitor the developments in the spread of the Coronavirus closely and adopts all the necessary organisational, control and prevention measures.

* * * * *

Paruzzaro, 22 February 2021

*The Chairman of the Board
of Directors*
(Pier Franco Uzzeni)

U-Invest S.r.l.

Consolidated financial statements as at 31 December 2020

Independent auditor's report pursuant to article 14 of
Legislative Decree n. 39, dated 27 January 2010

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Sole Quotaholder of
U-Invest S.r.l.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of U-Invest Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of U-Invest S.r.l. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company U-Invest S.r.l. or to cease operations, or have no realistic alternative but to do so.

The statutory auditor ("Sindaco Unico") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

EY S.p.A.
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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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Report on compliance with other legal and regulatory requirements[1]

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of U-Invest S.r.l. are responsible for the preparation of the Report on Operations of Group U-Invest as at 31 December 2020, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of U-Invest Group as at 31 December 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of U-Invest Group as at 31 December 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milano, 10 March 2021

EY S.p.A.
Signed by: Gabriele Grignaffini, Auditor

This report has been translated into the English language solely for the convenience of international readers.

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[1] *The Report on Operations as at 31 December 2020 is not included in this Offering Memorandum.*

BREATHABLE

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED

31 DECEMBER 2020

ASSETS

(amounts in Euro)

	31-Dec-20	31-Dec-19
A) SUBSCRIBED CAPITAL UNPAID	-	-
B) FIXED ASSETS		
I - Intangible assets	29,332,380	1,430,406
II - Tangible assets	98,669	-
III - Financial fixed assets	56,978,968	55,657,090
Total fixed assets (B)	**86,410,017**	**57,087,496**
C) CURRENT ASSETS		
II - Loans		
Due within the next financial year	9,251,657	13,156,458
Deferred tax assets	143,066	67,996
Total receivables (II)	9,394,723	13,224,454
IV - Cash and cash equivalents	16,721,553	9,295,181
Total current assets (C)	**26,116,276**	**22,519,635**
D) ACCRUALS AND DEFERRALS	39,715	48,314
TOTAL ASSETS	112,566,008	79,655,445

EQUITY AND LIABILITIES

(amounts in Euro)

	31-Dec-20	31-Dec-19
A) EQUITY		
I - Share capital	10,000,000	10,000,000
II - Share premium reserve	3,517,000	3,517,000
III - Revaluation reserve	27,157,916	-
IV - Legal reserve	1,933,115	1,211,705
VI - Other reserves	8,915,399	8,600,000
VII - Reserve for expected cash flow hedges	(169,238)	(197,429)
VII - Retained earnings (losses)	6,806,527	5,387,945
IX - Profit (loss) for the year	20,124,893	14,428,205
Total Equity (A)	**78,285,612**	**42,947,426**
B) PROVISIONS FOR RISKS AND CHARGES	**593,921**	**725,205**
C) EMPLOYEE SEVERANCE INDEMNITY	**76,954**	**-**
D) PAYABLES		
Due within the next financial year	9,108,801	17,201,684
Payable after the next financial year	24,480,720	18,763,289
Total payables (D)	**33,589,521**	**35,964,973**
E) ACCRUALS AND DEFERRALS	**20,000**	**17,841**
TOTAL LIABILITIES	**112,566,008**	**79,655,445**

INCOME STATEMENT

(amounts in Euro)

	31-Dec-20	31-Dec-19
A) VALUE OF PRODUCTION		
1) Revenue from sales and services	5,787,241	3,144,219
5) Other income	382	1,086
Total value of production	**5,787,623**	**3,145,305**
B) PRODUCTION COSTS		
6) For raw materials, consumables and goods	-	-
7) For services	3,920,792	3,953,945
8) for use of third party assets	250,562	1,005
9) for personnel	620,083	-
a) Wages and salaries	192,282	-
b) Social security costs	14,141	-
c) Employee severance indemnity		14,141
Total personnel expense	826,506	-
10) depreciation, amortisation and impairment:		
a) Amortisation of intangible assets	156,219	143,464
b) Depreciation of tangible assets	21,741	-
Total amortisation, depreciation and write-downs	177,960	143,464
14) Sundry operating expenses	213,496	94,320
Total production costs	**5,389,316**	**4,192,734**
Difference between value and costs of production (A-B)	**398,307**	**(1,047,429)**
C) FINANCIAL INCOME AND EXPENSES:		
15) income from equity investments		
From subsidiaries	22,072,783	20,739,459
16) other financial income:		
a) from receivables recorded under fixed assets		
from parent companies	0	0
from subsidiaries	792,784	531,126
b) from securities recorded under financial assets which do not constitute equity investments	250	-
d) income other than the above		
other	86	112
Total other financial income	793,120	531,238
17) interest and other financial charges		
towards subsidiaries	-	80,109
other	761,445	777,705
Total interest and other financial charges	761,445	857,814
17-bis) exchange gains and losses	325,475	249,570
Total financial income and charges (C) (15 +16-17+ -17-bis)	**21,778,983**	**20,662,453**

Income Statement follows >>

<< Income Statement continued

INCOME STATEMENT

(amounts in Euro)

	31-Dec-20	31-Dec-19
D) VALUE ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES:		
18) Revaluations:		
a) financial fixed assets that do not constitute equity investments	14,883	-
d) from derivative financial instruments	8,795	-
19) Write-downs:		
a) of equity investments	200,000	29,123
b) of financial fixed assets that do not constitute equity investments	78,243	1,956,097
d) of derivative financial instruments	43,607	-
Total value adjustments to financial assets and liabilities (D) (18-19)	**298,172**	**1,985,220**
Profit (loss) before tax (A-B+-C+-D)	**21,879,118**	**17,629,804**
20) Income taxes for the year, current, deferred and prepaid		
Current taxes	2,167,201	3,905,801
Taxes relating to previous years	-	-
Deferred tax liabilities and deferred tax assets	(412,976)	(704,202)
Income from tax consolidation	-	-
Total income taxes for the year, current, deferred and prepaid	**1,754,225**	**3,201,599**
21) PROFIT (LOSS) FOR THE YEAR	**20,124,893**	**14,428,205**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020 PREPARED IN ABBREVIATED FORM PURSUANT TO ARTICLE 2435-BIS OF THE ITALIAN CIVIL CODE

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020 PREPARED IN ABBREVIATED FORM PURSUANT TO ARTICLE 2435-BIS OF THE ITALIAN CIVIL CODE

1. CORPORATE INFORMATION

U-Invest S.r.l. is a limited liability company, registered and domiciled in Italy.
The registered office is in Paruzzaro (NO), in via Borgomanero 50.

2. MAIN ACCOUNTING STANDARDS

2.1. INTRODUCTION

The financial statements as at 31 December 2020, of which these explanatory notes form an integral part pursuant to article 2423, first paragraph of the Italian Civil Code, correspond to the results of the accounting records duly kept and are drawn up in compliance with articles 2423, 2423-ter, 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code, according to the drafting principles compliant with the provisions of Italian Civil Code article 2423 bis, measurement criteria pursuant to article 2426 of the Italian Civil Code.
The financial statements for this year have been prepared in abridged form in compliance with the provisions of article 2435-bis of the Italian Civil Code, as the conditions set forth in paragraph 1 of the aforementioned article have been met. Consequently, in these explanatory notes, the indications set forth in paragraph 1, number 10 of article 2426 and the information required by paragraph 1 of article 2427 limited to the items specified in paragraph 5 of article 2435 bis of the Italian Civil Code, have been omitted.

In addition, these explanatory notes contain the information required by numbers 3) and 4) of article 2428 of the Italian Civil Code and therefore the management report was not prepared pursuant to paragraph 7 of article 2435-bis of the Italian Civil Code.

2.2. DRAFTING PRINCIPLES

In order to prepare the financial statements with clarity and provide a true and fair view of the financial position and the economic result, in accordance with the provisions of article 2423-bis of the Italian Civil Code, steps were taken to:

- assess the individual items prudently and with a view towards the company continuing as a going concern;
- include only the profits actually realised during the year;
- determine the income and costs on an accruals basis and regardless of their financial manifestation;
- understand all risks and losses for the period, even if they become known after the end of the year;
- consider separately, for the purposes of the relative measurement, the heterogeneous elements included in the various items of the financial statements;
- keep the same measurement criteria adopted as the previous year.

The following financial statements assumptions as per OIC 11 paragraph 15 were also complied with:
a) prudence;
b) the company continuing as a going concern;
c) substantial representation;
d) competence;
e) consistency in the measurement criteria;
f) relevance;
g) comparability.

2.2.1. Company continuing as a going concern

With regard to this standard, the measurement of the financial statement items was carried out on the basis of the company continuing as a going concern and therefore taking into account the fact that the company constitutes a functioning economic complex, destined, at least for a foreseeable future period of time (12 months from the date of the reporting date), to the production of income.
In the forward-looking assessment of the going concern assumption, no significant uncertainties emerged, nor were reasonable alternatives to the termination of business identified.

The financial statements are drawn up in units of Euro. These explanatory notes have been drawn up in thousands of Euro.

2.2.2. Exceptional cases pursuant to article 2423, paragraph 5 of the Italian Civil Code

There were no exceptional events that made it necessary to use the exceptions set forth in the article.

2.2.3. Changes in accounting standards

There were no changes in accounting standards during the year.

2.2.4. Correction of significant errors

There were no significant errors committed in previous years.

2.2.5. Comparability and adaptation issues

The asset and liability items belonging to more than one balance sheet item were specifically mentioned.
Pursuant to article 2423-ter, fifth paragraph of the Italian Civil Code, no problems arose regarding the comparability and adjustment of the items for the current year with those relating to the previous year.

2.3. MEASUREMENT CRITERIA APPLIED

The criteria applied in the measurement of the financial statement items, shown below, comply with the provisions of article 2426 of the Italian Civil Code.
The measurement criteria pursuant to article 2426 of the Italian Civil Code are compliant with those used in the preparation of the financial statements of the previous year.

2.3.1. Intangible assets

Intangible assets are recorded, within the limit of their recoverable value, at purchase or internal production cost, including all directly attributable accessory charges, and are systematically amortised on a straight-line basis in relation to the residual useful life of the asset.
In particular, industrial patent rights and intellectual property rights are amortised on the basis of their presumed duration of use, in any case not exceeding that established by the license agreements.
Trademarks are amortised on the basis of their presumed useful life, estimated at 18 years.
Fixed assets whose value at the end of the year is permanently lower than the residual cost to be amortised are recorded at said lower value; this is not maintained if the reasons for the adjustment no longer apply in subsequent years.
The recognition and measurement of the items included in the category of intangible assets was carried out with the consent of the Sole Auditor, where this is provided for by the Italian Civil Code.

2.3.2. Tangible fixed assets

Tangible fixed assets are recognised on the date on which the risks and benefits associated with the assets acquired are transferred and are recognised, within the limit of the recoverable value, at purchase or production cost net of the related accumulated depreciation, including all costs and directly attributable accessory charges, indirect costs relating to internal production, as well as charges relating to the financing of internal manufacturing incurred during the manufacturing period and up to the moment in which the asset can be used.
Pursuant to OIC 26 paragraph 33, acquisitions with deferred payment at conditions different from those normally applied on the market are recorded at the value corresponding to the payable determined pursuant to OIC 19.
Costs incurred on existing assets for expansion, modernisation and improvement of structural elements, as well as those incurred to increase their compliance with the purposes for which they were acquired, and extraordinary maintenance in compliance with the provisions of OIC 16, paragraphs 49 to 53, were capitalised only in the presence of a significant and measurable increase in production capacity or useful life.
For these assets, depreciation was applied on a uniform basis on the new carrying amount, taking into account the residual useful life.
The cost of fixed assets whose use is limited in time is systematically depreciated each year on the basis of economic-technical rates determined in relation to the residual possibility of use.

All assets, including those temporarily not used, were depreciated, with the exception of those whose usefulness is not exhausted, and which consist of land, non-operating buildings and works of art.
On the basis of the provisions of OIC 16, paragraph 60, if the value of the buildings also incorporates the value of the land on which they stand, the value of the building was separated.
Depreciation starts from the moment the assets are available and ready for use.
The rates that reflect the result of the technical depreciation plans were applied, confirmed by the companies and reduced by 50% for the acquisitions during the year, as the conditions envisaged by OIC 16 paragraph 61 exist for the latter.
The depreciation plans, in compliance with OIC 16 paragraph 70, are reviewed in the event of a change in the residual possibility of use.
Obsolete assets and those that will no longer be used or usable in the production cycle, based on OIC 16, paragraph 80, were not depreciated and were measured at the lower of the net carrying amount and the recoverable value.
The rates applied are specified below:
Other assets:

- furniture and furnishings: 12%
- Electronic office machines: 20%
- vehicles: 25%

2.3.3. Equity investments

Equity investments are classified under fixed assets or current assets based on their designation.
Initial recognition is made at purchase or acquisition cost, including accessory costs.
Non-current equity investments were measured by attributing the cost specifically incurred to each equity investment.
Pursuant to article 2426, point 3 of the Italian Civil Code, the cost was adjusted since there were impairment losses, defined and determined on the basis of OIC 21 paragraphs 31 to 41.
If the conditions that had determined an adjustment in previous years no longer apply, a reversal will be carried out on the basis of OIC 21 paragraphs 42 and 43.

Non-current securities

Investment securities are recognised at the lower of the purchase cost and the estimated realisable value based on market trends.

2.3.4. Derivative financial instruments

Derivative financial instruments are recorded at fair value corresponding to the market value, if any, or to the value resulting from measurement models and techniques to ensure a reasonable approximation to the market value. Financial instruments for which it was not possible to use these methods are valued on the basis of the purchase price.
The recognition of the current value is recognised in the balance sheet assets, in the specific item of financial fixed assets or current assets depending on the designation, or in the liabilities in the specific item included among the provisions for risks and charges.
Cash flow hedges are offset by a shareholders' equity reserve, or, for the ineffective part, the income statement.
Changes in the fair value of speculative derivatives and hedging of the price of an underlying asset (so-called fair value hedge) are recognised in the income statement.

2.3.5. Receivables

Receivables are classified under non-current assets or current assets on the basis of their designation / origin with respect to ordinary assets, and are recorded at their estimated realisable value.
The breakdown of amounts payable within and after the financial year is carried out with reference to the contractual or legal maturity, also taking into account facts and events that may determine a change in the original maturity, the realistic capacity of the debtor to fulfil the obligation within the contractual terms and the time horizon in which it is reasonably expected to be able to claim the receivable.
Pursuant to OIC 15 paragraph 84, note that the amortised cost criterion was not adopted in the measurement of the receivables.
Receivables are shown in the financial statements net of the recognition of a bad debt provision to cover bad debts, as well as the general risk relating to the remaining receivables, based on estimates made on the basis of past experience, of the trend of the seniority indices of the past due receivables, the general economic situation, sector and country risk, as well as events occurring after the end of the year that have an impact on the values at the balance sheet date.

The item 'Tax receivables' includes certain and determined amounts deriving from receivables for which a right of realisation through reimbursement or set-off has arisen.
The item "Deferred tax assets" includes deferred tax assets determined on the basis of deductible temporary differences or the carrying forward of tax losses, applying the estimated rate in force at the time when these differences are deemed to be reversed.

2.3.6. Cash and cash equivalents

Cash and cash equivalents are stated at their nominal value.

2.3.7. Accruals and deferrals

Accruals and deferrals were recognised on an accruals basis and contain the revenues / costs pertaining to the year and payable in subsequent years and the revenues / costs incurred by the end of the year, but pertaining to subsequent years.
Therefore, only the portions of costs and revenues common to two or more years, the amount of which varies over time, are recorded.
At the end of the year, it was verified that the conditions that led to the initial recognition were met, making the necessary value adjustments, if it was the case, taking into account not only the time element but also the potential recoverability.
Accrued income, similar to receivables for the financial year, was measured at the estimated realisable value, with a write-down in the income statement if this value was lower than the carrying amount.
Accrued liabilities, similar to payables, were measured at nominal value.
For deferred charges, the future economic benefit related to the deferred costs was measured, by making a value adjustment if this benefit was lower than the amount deferred.

2.3.8. Provisions for risks and charges

Provisions for risks represent liabilities related to situations existing at the balance sheet date, but whose occurrence is only probable.
Provisions for charges represent certain liabilities, related to negative income components pertaining to the financial year, but which will become manifest in the following year.
The estimate process is carried out and/or adjusted at the reporting date on the basis of past experience and every useful element available.
In compliance with OIC 31, paragraph 19, as the criterion of classification by nature of costs must prevail, allocations to provisions for risks and charges are recorded among the items of the management activity to which the operation refers (characteristic, accessory or financial).

2.3.9. Provisions for taxes, including deferred

It includes the liabilities for probable taxes, deriving from non-final assessments and pending disputes, and the liabilities for deferred taxes calculated on the basis of the taxable temporary differences, applying the estimated rate in force at the time when these differences are expected to be reversed.

2.3.10. Employee severance indemnity

Employee severance indemnity is recorded in compliance with the provisions of current legislation and corresponds to the actual commitment of the Company towards the individual employees at the reporting date, less the advances paid.

2.3.11. Payables

The breakdown of the amounts payable within and after the financial year is carried out with reference to the contractual or legal maturity, also taking into account facts and events that may determine a change in the original maturity.
Payables are indicated under liabilities on the basis of their nominal value, considered representative of their settlement value.
Pursuant to OIC 19 paragraph 86, note that the amortised cost criterion was adopted in the measurement of payables
In the initial recognition, the carrying amount is represented by the nominal value of the payable net of transaction costs (e.g. preliminary investigation, commissions, issue costs, etc.).
At the end of the year, the value of payables measured at amortised cost is equal to the present value of future cash flows discounted at the effective interest rate.
This criterion was not applied to payables for which the effect is irrelevant with respect to the value determined pursuant to paragraphs 54-57.
Payables arising from acquisitions of assets are recognised at the time the risks, charges and benefits are transferred; those relating to services are recognised at the time the service is provided; financial and other types at the time the obligation to the counterparty arises.
Tax payables include liabilities for certain and determined taxes, as well as withholdings operating as substitutes and not yet paid at the balance sheet date, and, where offsetting is allowed, they are recognised net of advances, withholding taxes and receivables tax.

2.3.12. Currency values

Monetary assets and liabilities denominated in foreign currencies are recognised at the spot exchange rate at the end of the year, with the related exchange gains and losses recognised in the income statement.
Any net gains deriving from the adjustment to exchange rates are recorded, for the part not absorbed by any loss for the year, in a special reserve that cannot be distributed until the moment of realisation.

2.3.13. Costs and revenues

They are stated according to the principle of prudence and accruals.

With reference to "Revenues from sales and services", it should be noted that adjustments to revenues, pursuant to OIC 12 paragraph 50, are recorded as a reduction of the item revenues, with the exception of those referring to previous years and deriving from corrections, errors or changes in accounting standards, recognised, pursuant to OIC 29, if of a significant amount, on the opening balance of the shareholders' equity.

2.4. OTHER INFORMATION

The specific sections of the explanatory notes illustrate the criteria with which article 2423, fourth paragraph, are implemented in the event of non-compliance with regard to recognition, measurement, presentation and disclosure, when their observance has irrelevant effects on the true and fair representation.

The standards and recommendations published by the Italian Accounting Body (OIC) were complied with, supplemented, where missing, by generally accepted international standards (IAS / IFRS and USGAAP) in order to provide a true and fair view of the equity and financial situation. and the economic result for the year.

In order to achieve a more efficient and homogeneous management of certain functions considered strategic within the group, the subsidiary U Group Srl transferred to the company, by demerger deed dated 29.01.2020, the business unit representing the administrative and financial functions that were deemed to be more usable by the group companies if managed centrally. The effects of the demerger took effect from 1 February 2020.

The business unit transferred included the following assets:
intangible assets: trademarks and patents
tangible assets: electronic office machines and cars
payables to employees: 11 employment relationships with the related employee severance indemnity and other accrued payables (holiday accruals and leave)
no. 2 vehicle finance leases
no. 2 software leases.

The accounting difference between the assets and liabilities indicated above, equal to Euro 10 thousand, was directly recognised as a reduction in the carrying amount of the equity investment of the subsidiary U Group Srl.

It should be noted that for the purpose of calculating the net assets transferred of the demerged company, the carrying amounts resulting from its financial statements drawn up according to the IFRS accounting standards were used for said assets.

The beneficiary company, which is required to prepare the financial statements according to the OIC accounting standards, therefore, pursuant to the provisions of the recent OIC 33, recorded only the assets and liabilities that meet the criteria set forth by the national accounting standards and reclassified them in compliance with the same principles. The balance of the equity differences deriving from the application of the aforementioned standard, amounting to Euro 277 thousand, was booked to an unavailable equity*reserve called "IAS/OIC conversion reserve"*.

In the detailed tables of the individual items, the increases generated by the demerger were highlighted.

The calculation of the amortisation/depreciation of the transferred fixed assets was carried out with effect from 1 February 2020 (11 months).

3. FIXED ASSETS

Fixed assets amount to Euro 86,410 thousand (Euro 57,087 thousand in the previous year).

The breakdown and changes in the individual items are as follows:

	Intangible fixed assets	Tangible fixed assets	Financial fixed assets	Total fixed assets
Value at the beginning of the year				
Cost	2,169	-	57,643	59,812
Depreciation (accumulated depreciation)	739	-	-	739
Write-downs	-	-	1,986	1,986
Carrying value	**1,430**	**-**	**55,657**	**57,087**
Changes during year				
Increases due to acquisitions	60	55	1,405	1,520
Increases (decreases) from demerger	20	78	(10)	56
Increases in accumulated depreciation	20	12		
Decreases due to sales and disposals (of the carrying amount)	-		10	10
Write-downs made during the year	-		78	78
Revaluations carried out during the financial year	27,998		15	28,013
Amortisation/depreciation for the year	156	22	-	178
Total changes	**27,902**	**99**	**1,322**	**29,323**
Value at the end of the year				
Cost	2,249	133	59,028	61,410
Amortisation/Depreciation (accumulated amortisation/ depreciation)	915	34	-	949
Revaluations	27,998		15	28,013
Write-downs	-		2,064	2,064
Carrying value	**29,332**	**99**	**56,979**	**86,410**

3.1. INTANGIBLE FIXED ASSETS

Intangible assets amounted to Euro 29,332 thousand as at 31 December 2020 and mainly refer to the brands Aimont, Lupos and U Power - Don't worry be happy, the latter acquired from 1 February 2020 following the partial demerger of the subsidiary U Group Srl. The increases during the year also refer to the submission of patent applications and ornamental designs at EU and international level concerning *"Energising safety shoes"*.

The company availed of the possibility provided by article 110 of Law Decree 104/2020, as amended by conversion law no. 126/2020, for companies that do not adopt the international accounting standards in the preparation of their financial statements, to proceed with the revaluation, in the financial statements for the year 2020, of the business assets, other than the fixed assets in which the company business production or exchange is involved, resulting from the financial statements for the year in progress as at 31 December 2019.

The company also availed of the right to attribute tax relevance to the higher value attributed to the assets at the time of revaluation by means of the payment of a substitute tax for

income taxes and the regional tax on production activities of 3% to be paid in a maximum of three annual instalments of the same amount due by the deadline set for the payment of the balance of income taxes for the years 2020, 2021 and 2022. In particular, the company revalued the figurative trademarks and industrial patents as shown in the table below (in euros):

FIGURATIVE MARKS

Description	Registration	Historical cost	Accumulated dep./amort. 31.12.2019	Net book balance 31.12.2019	Actual economic value	Revaluation amount
U-Power - Don't worry be happy	17880035 e 1503415	3,057	3,057	-	21,000,000	21,000,000

INDUSTRIAL PATENT

Description	Registration	Historical cost	Accumulated dep./amort. 31.12.2019	Net book balance 31.12.2019	Actual economic value	Revaluation amount
Energising safety shoe	201700075302	9,113	6,965	2,148	7,000,000	6,997,852

The revaluation was determined having regard to the actual economic value of the aforementioned intangible assets as resulting from a specific appraisal prepared by an expert. The value of the assets thus determined was compared with the residual value of the assets to be amortised. The entire revaluation of Euro 27,998 was recorded as an increase in the historical cost and as a counter-entry, a shareholders' equity reserve was recognised called"*Revaluation reserve - Law Decree 104/2020*"net of the 3% substitute tax of Euro 840.

This reserve may be freely used for share capital increases and to cover losses. For the latter use, profits cannot be distributed until it is reconstituted; alternatively, it will have to be reduced by means of an extraordinary shareholders' meeting. In the event of distribution, the reserve will generate taxable income for both the company and the shareholders.

In these financial statements, amortisation was calculated on the non-revalued values as the revaluation is considered to be a subsequent operation. These higher amounts will be amortised starting from the following year.

3.2. TANGIBLE FIXED ASSETS

Tangible fixed assets amounted to Euro 99 thousand as at 31 December 2020 and include electronic office equipment and motor vehicles. The increases in the year refer for Euro 78 to assets acquired from 1 February 2020 following the partial demerger of the subsidiary U Group Srl and for Euro 55 to the purchase of electronic office machines.

3.3. FINANCIAL FIXED ASSETS

Financial fixed assets amount to Euro 56,979 thousand and are broken down as follows:

- Equity investments in subsidiaries for Euro 37,651 thousand (Euro 37,661 thousand as at 31 December 2019);
- Other securities for Euro 1,321 thousand (Euro 1,006 thousand as at 31 December 2019);
- Non-current receivables for Euro 18,007 thousand (Euro 16,990 thousand as at 31 December 2019).

3.3.1. Equity investments

Equity investments included in non-current financial assets amount to Euro 37,651 thousand (Euro 37,661 thousand as at 31 December 2019).
The decrease for the year of Euro 10 thousand refers to the allocation of the shareholders' equity transferred from the subsidiary U Group Srl following the partial demerger as described in more detail in paragraph 2.4.
Other securities included in financial fixed assets amounted to Euro 1,321 thousand (Euro 1,006 thousand in the previous year). The increase in the year refers to the purchase of new Certificates issued by Unicredit Spa for a total of Euro 300 thousand. The securities in the portfolio amounted to Euro 1,300 thousand, to which a fair value of Euro 1,315 was attributed as at 31 December 2020. The recognition at fair value led to the recognition of a positive component of Euro 15 thousand which was recorded under item D18 Revaluation, b) of fixed assets that do not constitute equity investments.

These securities are the subject of the Pledge agreement signed with Unicredit Spa, which will be discussed in paragraph **8. Payables**.

The breakdown and changes in the individual items are as follows:

	Equity investments in subsidiaries	Other securities
Value at the beginning of the year		
Cost	37,690	1,006
Write-downs	29	-
Carrying value	**37,661**	**1,006**
Changes during year		
Increases due to acquisitions	-	310
Revaluations	-	15
Decreases	10	10
Total changes	**10**	**315**
Value at the end of the year		
Cost	37,680	1,306
Revaluations	-	15
Write-downs	29	-
Carrying value	**37,651**	**1,321**

The table below shows the data of the subsidiaries relating to the shareholders' equity and the result for the last year approved or in the process of being approved:

(amounts in Euro)

Name	City, if in Italy, or foreign country	Tax Code (for Italian companies)	Capital in Euro	Profit (loss) for the last year in Euro	Shareholders' equity in Euro	Shareholders' equity held in Euro	Shareholding in %	Carrying amount or corresponding receivable
ALTEK EUROPE SRL	Paruzzaro	02020060030	10,000	102,061	1,041,824	1,041,824	100	881,726
U-GROUP SRL	Paruzzaro	02041920030	119,000	16,497,248	27,434,856	27,434,856	100	10,092,631
BELBIS SARL	Tunisia		66,542	(71,360)	559,339	559,339	100	99,933
GRANBIS SARL	Tunisia		66,542	722,034	7,961,045	7,961,045	100	74,336
MARTEK SARL	Tunisia		8,339,167	4,069,904	15,442,161	15,442,161	100	19,680,099
JALLATTE SAS	France		100,000	4,305,806	5,523,482	5,523,482	100	4,762,112
U-LOGISTICS SRL	Paruzzaro	02557020035	110,000	92,254	957,996	957,996	100	2,059,871
LUPOS GMBH	Germany		25,000	(423,342)	(2,230,096)	(2,230,096)	100	0
Total								**37,650,708**

In the previous year, the entire carrying amount of the investee Lupos GmbH was written off in order to take into account its long-term losses. During the year in question, it was decided to maintain this write-down by integrating it in relation to the additional losses that the subsidiary will produce in 2021. This decision became appropriate following the winding up and liquidation resolution adopted by the subsidiary on 23 December 2020, to take effect from 2021. The amount of the provision estimated at Euro 200 thousand was recognised using the item Provision for risks and charges and as a counter-entry to the income statement item D19 Write-downs, a) of equity investments.

The write-down made last year on the loan granted to Lupos Gmbh was also supplemented for Euro 78 thousand, equal to the interest for the current year. This amount was recognised in a bad debt provision as a decrease in the value of the receivable and as a counter-entry to the income statement item D19 Write-downs, b) of financial fixed assets that do not constitute equity investments.

3.3.2. Non-current receivables

The data relating to the breakdown of receivables by maturity, pursuant to article 2427, paragraph 1, number 6 of the Italian Civil Code is reported below:

	Value at the beginning of the year	Net changes during the year	Value at the end of the year	Portion falling due during the year	Portion falling due after the year	Of which residual duration of more than 5 years
Non-current receivables from subsidiaries	16,990	1,017	18,007	18,007	-	-
Non-current receivables from parent companies	0	0	-	-	-	-
Total non-current receivables	**16,990**	**1,0717**	**18,007**	**18,007**	**-**	**-**

The non-current receivables amounted to Euro 18,007 thousand as at 31 December 2020 and refer to current account transactions with U Group Srl for Euro 15,414 thousand and with Altek Europe Srl for Euro 2,593.

3.4. FINANCIAL LEASING TRANSACTIONS

Information on financial leasing transactions is provided below, pursuant to article 2427, paragraph 1, number 22 of the Italian Civil Code with reference to the individual contracts in place:

(amounts in Euro)

Description	Current value of instalments not yet due	Accrued interest expense	Historical cost	Accumulated dep./amort. - beginning of year	Depreciation/ Amortisation	Net carrying amount
Sella Leasing - car	3,406	370	37,589	14,096	9,397	14,096
Volkswagen bank - car	10,612	546	28,437	10,663	7,109	7,065

It should be noted that the company took over these contracts from 1 February 2020 following the partial demerger of the subsidiary U Group Srl.

4. RECEIVABLES

The data relating to the breakdown of receivables by maturity, pursuant to article 2427, paragraph 1, number 6 of the Italian Civil Code is reported below:

(amounts in Euro)

	Value at the beginning of the year	Change during the year	Value at the end of the year	Portion falling due during the year	Portion falling due after the year	Of which with a residual duration of more than 5 years
Receivables from subsidiaries recorded under current assets	12,807	(4,173)	8,634	8,634	-	-
Receivables from parent companies recorded under current assets	54	(54)	-	-	-	-
Tax receivables recorded under current assets	295	(295)	-	-	-	-
Deferred tax assets recorded under current assets	68	75	143	143		
Receivables from other current assets	-	617	617	617	-	-
Total receivables recorded under current assets	**13,224**	**(3,830)**	**9,394**	**9,394**	**-**	**-**

Receivables due from subsidiaries refer to:

- receivables from the company Belbis Sarl for dividends to be collected for Euro 1,137 thousand;
- receivables due from U Group Srl, Jallatte Sas, Altek Europe Srl, Martek Sarl, Granbis Sarl and Lupos Gmbh for royalties and services for a total amount of Euro 5,727 thousand;
- receivables from the companies U Group Srl, Altek Europe Srl and U Logistics Srl for interest accrued on loans and current accounts totalling Euro 714 thousand;
- receivables due from U Group Srl (Euro 1,013 thousand) and U Logistics Srl (Euro 43 thousand) for the transfer of the results of the monthly payments due within the scope of group VAT.

Deferred tax assets mainly refer to derivative instruments subscribed to by the company, which as at 31 December 2020 amounted to Euro 257 thousand.

Receivables due from others mainly refer to advances paid to suppliers.

5. SHAREHOLDERS' EQUITY

The *shareholders' equity* existing at the end of the financial year amounted to Euro 78,286 thousand (Euro 42,948 thousand the previous year).

The following tables show the changes during the year in the individual items that make up Shareholders' equity:

	Capital	Share premium reserve	Revaluation reserve	Legal reserve	Other reserves	Reserve for expected cash flow hedges	Retained earnings (losses)	Profit (loss) for the year	Total Equity
Balance as at 1.1.2019	**10,000**	**3,517**	**-**	**732**	**8,600**	**(159)**	**3,270**	**9,598**	**35,558**
Profit allocation	-	-	-	480	-	-	2,118	(2,598)	0
Dividends	-	-	-	-	-	-	-	(7,000)	(7,000)
Change in cash flow hedge reserve	-	-	-	-	-	(38)	-	-	(38)
Profit for the year 2019	-	-	-	-	-	-	-	14,428	14,428
Balance as at 31 December 2019	**10,000**	**3,517**	**-**	**1,212**	**8,600**	**(197)**	**5,388**	**14,428**	**42,948**
Profit allocation		-		721	38	-	13,669	(14,428)	0
Increases			27,158		277				27,435
Dividends		-		-	-	-	(12,250)		(12,250)
Change in cash flow hedge reserve		-	-	-	-	28	-	-	28
Profit for the year 2020		-	-	-	-	-	-	20,125	20,125
Balance as at 31 December 2020	**10,000**	**3,517**	**27,158**	**1,933**	**8,915**	**(169)**	**6,807**	**20,125**	**78,286**

5.1. AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY ITEMS

The information required by article 2427, paragraph 1, number 7-bis of the Italian Civil Code relating to the specification of the shareholders' equity items with reference to their origin, possibility of use and distribution, as well as their use in previous years, can be inferred from the tables below:

	Amount	Origin/nature	Possibility of use	Amount available	Summary of uses made in the three previous years - to cover losses	Summary of uses made in the three previous years - for other reasons
Capital	10,000	CAPITAL		0	0	0
Share premium reserve	3,517	PROFITS	A/B/C	3,517	0	0
Revaluation reserve	27,157	OTHER NATURE	A/B/C	27,157	0	0
Legal reserve	1,933	PROFITS	B	1,933	0	0
Other reserves				0	0	0
Capital contribution payments	8,600	CAPITAL	A/B/C	8,600	0	0
Exchange gains reserve	38	PROFITS		0	0	0
IAS/OIC conversion reserve	277	OTHER NATURE		0	0	0
Total other reserves	8,915			8,600	0	0
Reserve for expected cash flow hedges	-169	OTHER NATURE		0	0	0
Retained earnings	8,306	PROFITS	A/B/C	8,306	0	15,300
Total	59,659			49,513	0	15,300
Non-distributable portion				5,450	0	0
Residual distributable portion				44,063	0	0

Key:
A: for share capital increase
B: to cover losses
C: for distribution to shareholders
D: for other statutory requirements

5.2. RESERVE FOR EXPECTED CASH FLOW HEDGES

The information required by article 2427-bis, paragraph 1, number 1, letter b-quater) of the Italian Civil Code relating to the specification of the movements during the year are summarised in the table below:

Reserve for expected hedges	
Value at the beginning of the year	(197)
Changes during year	
Increase due to change in fair value	(50)
Decrease due to change in fair value	44
Release to the income statement	33
Deferred tax effect	1
Value at the end of the year	**(169)**

This reserve was recognised, pursuant to OIC 32, net of deferred tax effects for a total of Euro 64 thousand. The tax effect for the year of Euro 2 thousand was recognised in the item Deferred tax assets.

The amount of Euro 33 thousand charged to the income statement refers to the UBI derivative instrument subscribed to in 2018 following the early repayment of the hedged liability as better described in paragraph **8. Payables.**

6. PROVISIONS FOR RISKS AND CHARGES

The item 'Provisions for risks and charges' is detailed hereunder:

	31 December 2020	31 December 2019
Provision for risks of financial instruments payable	257	260
Provision charges for Lupos Gmbh losses	200	-
Provision for deferred taxes	137	465
Total	**594**	**725**

The item Provision for risks of financial instruments payable includes, for Euro 223 thousand, the MTM value as at 31 December 2020 of hedging derivatives in the form of Interest Rate Swaps entered into by the company, to hedge the cash flows of the debt security to be discussed below. The measurement was carried out on the basis of the provisions of OIC 32.

The difference of Euro 35 thousand refers to the MTM value as at 31 December 2020 of the speculative derivative subscribed with UBI Banca Spa.
For further details, please refer to paragraph 21.
For a comment on deferred taxes, please refer to paragraph 13.1.

7. EMPLOYEE SEVERANCE INDEMNITY

The employee severance indemnity is recorded under liabilities for a total of Euro 77 thousand (Euro 0 in the previous year). The breakdown and changes in the individual items are as follows:

Employee severance indemnity	
Value at the beginning of the year	-
Changes during year	-
Increase due to demerger	63
Provision	14
Utilisations	-
Other Changes	-
Value at the end of the year	**77**

8. PAYABLES

The data relating to the breakdown of payables by due date, pursuant to article 2427, paragraph 1, number 6 of the Italian Civil Code are shown below:

	Value at the beginning of the year	Change during the year	Value at the end of the year	Portion falling due during the year	Portion falling due after the year	Of which with a duration of more than 5 years
Bonds	9,897	14,854	24,751	3,627	21,124	-
Payables due to banks	12,759	(7,584)	5,175	2,379	2,796	-
Payables due to other lenders	-	30	30	30		
Payables to suppliers	377	785	1,162	1,162	-	-
Payables to subsidiaries	8,639	(7,569)	1,070	1,070	-	-
Payables to parent companies	4,244	(4,208)	36	36	-	-
Tax payables	49	1,188	1,237	677	560	-
Payables due to social security institutions	-	107	107	107		
Other payables	0	21	21	21	-	-
Total payables	**35,965**	**(2,376)**	**33,589**	**9,109**	**24,480**	**-**

On 23 June 2020, the company entered into a refinancing operation of the loan with the bank Unicredit S.p.a. starting from 2018, as well as a further raising of funds.

In particular, the company had:

1) Non-convertible debt security issued on 28 June 2018 pursuant to article 2483 of the Italian Civil Code for a total amount of Euro 10,000 thousand maturing on 28 June 2022 (recorded under *"Bonds - due after 12 months"*)
2) Medium-term loan granted in two tranches during 2018 for a total amount of Euro 10,000 thousand maturing in 2023 (recorded under *"Payables due to banks"*)

This transaction was carried out by means of the early repayment of the existing financial debt referred to above and the raising of additional financial funding, as follows:

1) issue on 29 June 2020 by the company, and subscription by UniCredit (a qualified investor subject to prudential supervision), of 250 new debt securities pursuant to article 2483 of the Italian Civil Code with a unit nominal value of Euro 100 thousand each, for a total principal amount of Euro 25,000 thousand, under the following conditions:
   - issue price and price of redemption at maturity: at par;
   - maturity date: 29 June 2023
   - repayment: according to a quarterly amortisation plan with constant capital of Euro 1,875 thousand with first payment on 29 September 2021 and payment of Euro 11,875 thousand at maturity.
   - floating interest rate linked to the 3-month Euribor rate
2) early repayment of the Medium-term Loan for the capital of Euro 6,825 thousand and of the Debt Security for Euro 10,000 thousand through the use of part of the funds deriving from the issue of the new Debt Security.

It should be noted that the debt securities are guaranteed by a pledge contract on financial assets (securities and amounts deposited on current accounts) owned by the Company for a total value of at least Euro 5,000 thousand. More specifically:
Pledge on securities recorded as financial fixed assets for Euro 1,315 thousand.
Pledge on amounts deposited in a current account with Unicredit Spa with a balance as at 31 December 2020 of Euro 3,951.
The debt security was recorded under *"Bonds - expiring within and after 12 months"*.
The carrying amount was determined on the basis of the amortised cost criterion.

In light of the above*, Payables to banks* mainly include the following loans:

1) UBI Banca loan for a total amount of Euro 5,000 thousand granted on 17 February 2020, under the following conditions:
   - maturity: 3 years (18 February 2023) - extended to 18 August 2023 following a request for a moratorium with suspension of payment of no. 6 instalments (from 18 April 2020 to 18 September 2020);
   - repayment methods: constant monthly instalments;
   - fixed interest rate.

2) Banca Sella loan for a total amount of Euro 1,500 thousand granted on 12 November 2019 with a duration of 2 years (maturity 20 November 2021) and repayment in constant monthly instalments.

These payables were recorded at nominal value. As envisaged by OIC 19, the amortised cost criterion was not applied as the effects would have been irrelevant.

It should be noted that during the year the loan granted by Ubi Banca spa in 2018 was paid off early. To this end, the derivative instrument linked to it and still in place was treated as a speculative derivative. The reserve, which was recognized as a counter-entry to the Provision for risks, was fully recognised in the income statement under item D19, write-downs, of derivative instruments and the positive change in fair value for the year was booked to item D18 revaluations, of derivative instruments.

Payables to subsidiaries mainly include:
- payables to the company Belbis Sarl for interest of Euro 59 thousand;
- payables to U Group Srl for the charge-back of services for Euro 93 thousand;
- payables to Altek Europe Srl (Euro 853 thousand) and Jallatte sas (5 thousand) for the transfer of the results of the monthly payments as credit as part of the group VAT.

Payables to parent company refer to the payable deriving from participation in the tax consolidation scheme.

Tax payables refer to:
- Euro 116 thousand for the payable to the tax authorities for withholdings on income from employment, self-employment and collaboration;
- Euro 117 thousand for the payable for the balance of IRAP 2020;
- Euro 164 thousand for the payable resulting from the group VAT payment in December;
- Euro 840 thousand for the payable for the substitute tax due for the purposes of tax recognition of the higher values attributed at the time of revaluation. This payable will be paid in 3 annual instalments of the same amount to be paid within the deadline set for the payment of the balance of income taxes for the years 2020 - 2021 - 2022.

Payables to social security institutions refer to payables for INPS on December salaries, holiday and leave payments, as well as payables due to Previndai and Fasi (Euro 5 referring to the demerged U Group Srl).

Other payables refer to the payable for accrued holidays and leave (Euro 20 thousand refer to the demerged U Group Srl).

Pursuant to article 2427, paragraph 1, number 6 of the Italian Civil Code, it should be noted that there are no payables with a duration of more than five years, while in relation to payables secured by collateral on company assets, please refer to the above.

9. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amounted to Euro 5,787 thousand and refer to the provision of services carried out centrally by the parent company for Euro 3,086 thousand, royalties on trademarks for Euro 1,546 thousand and royalties on patents of Euro 1,155.

In relation to the provisions of article 2427, paragraph 1, number 13 of the Italian Civil Code, it should be noted that there are no revenues of exceptional size or impact.

10. COSTS FOR SERVICES

Costs for services amounted to Euro 3,921 thousand and refer mainly to services and consultancy provided by third party companies in favour of group companies.

In relation to the provisions of article 2427, paragraph 1, number 13 of the Italian Civil Code, it should be noted that there are no costs of exceptional size or impact.

11. FINANCIAL INCOME AND CHARGES

11.1. INCOME FROM EQUITY INVESTMENTS AND OTHER FINANCIAL INCOME

The item income from equity investments, which amounts to Euro 22,073 thousand, refers to dividends resolved by the subsidiaries during the year, in particular:

- Euro 10,000 thousand resolved by U Group Srl;
- Euro 5,000 thousand resolved by Jallatte Sas;
- Euro 7,073 thousand from Martek Sarl.

The item other financial income refers to interest income accrued on loans and current account financial relations with the group companies.

11.2. INTEREST AND OTHER FINANCIAL CHARGES

The item financial charges, amounting to Euro 761 thousand, mainly refers to interest expense accrued on loans subscribed by the company. For further details, please refer to paragraph 7.

12. GAINS AND LOSSES ON EXCHANGE RATES

Information on the breakdown of exchange gains and losses arising from the year-end measurement with respect to what was actually realised is provided below:

	Realised	From measurement	Total
Exchange gains	-	-	-
Foreign exchange losses	325	-	325
Total	**325**	**-**	**325**

Realised exchange losses refer to the conversion into Euro of the amount in Tunisian dinars of the dividends resolved and paid during the year by the subsidiary Martek Sarl.

13. INCOME TAXES FOR THE YEAR, CURRENT, DEFERRED AND PREPAID

The breakdown of the individual items is as follows:

	Current taxes	Taxes relating to previous years	Deferred taxes	Deferred tax assets	Contingent tax liabilities
IRES	1,598	-	(329)	(83)	451
IRAP	118	-	-	-	-
Total	**1,716**	**-**	**(329)**	**(83)**	**451**

The company opted, along with the parent company Fin Reporter Srl and the other resident group companies, to use group taxation in accordance with article 117 et seq. of the TUIR; the adoption of tax consolidation allows the consolidating parent company to aggregate the positive or negative taxable amounts of the parent company with those of the consolidated companies.

The item contingent liabilities refers to the portion of foreign taxes that are not transferable to group taxation as they refer to income (dividends) that only partially contribute to the formation of the company's taxable income.

13.1. BREAKDOWN AND MOVEMENTS IN DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS

The tables below, separately for IRES and IRAP, summarise the changes during the year deriving from the increases for the temporary differences that arose during the year and from the decreases for the temporary differences repaid of the items "Provision for deferred taxes".
Deferred IRES taxes (24%) were recognised on the portion of dividends resolved in previous years and not yet collected (Euro 97 thousand), and the portion of deferred IRES taxes referred to the portion of dividends collected during the course of the year was reversed (Euro 402 thousand).

In relation to the costs of issuing the Debt Security, referred to in the Payables section, these were deducted for tax purposes according to the cash principle pursuant to article 32 of Italian Law Decree 83/2012 and accounted for in the statutory accounts on the basis of the amortised cost criterion; as a result, they generated deferred IRES taxes for the duration of the loan (2018-2022). During the current year, the entire portion allocated was reversed in consideration of the early repayment of the related debt security.
With regard to the issue costs of the new debt security, the accounting and deduction process was carried out on the basis of the amortised cost following the repeal which took effect from 12 January 2019 of paragraph 13 of article 32 of Legislative Decree 83/2012.

	IRES	TOTAL
1. Initial amount	465	465
2. Increases		
2.1. Deferred taxes arising during the year	97	97
2.2. Other increases	0	0
3. Decreases	0	0
3.1. Deferred taxes cancelled during the year	426	426
3.2. Other decreases	0	0
4. Final amount	329	329

14. COMMITMENTS AND RISKS

INVESTMENT COMMITMENTS

There are no investment commitments.

RISKS

Please refer to the report on operations of these financial statements.

LEGAL DISPUTES

There are no pending legal disputes.

GUARANTEES

The company has provided guarantees in favour of subsidiaries for a total amount of Euro 12,894 thousand.

CONTINGENT LIABILITIES

There are no contingent liabilities that have not been recognised in the financial statements.

15. DISCLOSURE ON RELATED PARTIES

The information concerning transactions with related parties is summarised below, pursuant to article 2427, point 22-bis of the Italian Civil Code.

During the year, transactions were carried out with Group companies and with the parent company Fin Reporter Srl; these are significant transactions entered into at market conditions.

The following table shows the main transactions according to their nature and the intercompany balances at the end of the year.

	Receivables	Payables	Revenues	Costs	Dividends
Finreporter Srl - Parent company		36		12	
Altek Europe Srl	2,689	854	126	-	
Martek Sarl	1,205		1,206		7,073
U-Group Srl	20,886	93	4,459	332	10,000
Jallatte Sas	628	5	659		5,000
Belbis Sarl	1,137	118			
Granbis Sarl	10		10		
Lupos GmbH	2,069		113		
U-Logistics Srl	52		8		
	28,676	**1,106**	**6,581**	**344**	**22,073**

16. EMPLOYMENT DATA

Information on personnel is provided below, pursuant to article 2427, paragraph 1, number 15 of the Italian Civil Code:

Categories	Average number
Executives	4
Middle managers	1
Employees	6
Total	**11**

17. FEES PAID TO CORPORATE BODIES AND AUDITORS

Information regarding directors, statutory auditors and auditors pursuant to article 2427, point 16 and pursuant to article 2427 point 16-bis of the Italian Civil Code is provided below:

	Remuneration to directors	Remuneration to statutory auditors	Remuneration to auditors	Total remuneration to directors and statutory auditors
Value	1,440	3	22	1,465

18. AGREEMENTS NOT RESULTING FROM THE BALANCE SHEET

Pursuant to article 2427, paragraph 1, number 22-ter of the Italian Civil Code, it should be noted that there are no agreements not resulting from the balance sheet that would expose the company to significant risks or benefits.

19. INFORMATION PURSUANT TO ARTICLE 1 PARAGRAPH 125 OF LAW OF 4 AUGUST 2017, NO. 124

With reference to article 1, paragraph 125 of Law 124/2017, it should be noted that the company has not received any grants.

20. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Pursuant to article 2427, paragraph 1, number 22-quater of the Italian Civil Code, there were no significant events after the close of the year.

21. DERIVATIVE FINANCIAL INSTRUMENTS

For each category of derivative financial instruments, information is provided below, pursuant to article 2427 bis, paragraph 1, point 1 of the Italian Civil Code:

Contract: UNICREDIT SPA UTI MMX23365850

Type of contract: OTC derivative
Purpose: hedging of interest rate changes on loans - payer protected IRS
Notional value 4,000,000
Starting date / expiry: 28.06.2018 / 30.06.2023
Underlying financial risk: interest rate change risk
Liability hedged: Debt security signed by Unicredit Spa on 29 June 2020 for Euro 25,000,000
MTM value: (40,218.28) - recognised in the Provision for risks of financial instruments payable

Contract: UNICREDIT SPA UTI MMX23951230

Type of contract: OTC derivative
Purpose: hedging of interest rate changes on loans - payer protected IRS
Notional value 1,250,000
Starting date / expiry: 31.12.2018 / 30.06.2023
Underlying financial risk: interest rate change risk
Liability hedged: Debt security signed by Unicredit Spa on 29 June 2020 for Euro 25,000,000
MTM value: (11.188,57) - recognised in the Provision for risks of financial instruments payable

Contract: UNICREDIT SPA UTI MMX23365822

Type of contract: OTC derivative
Purpose: hedging of interest rate changes on loans - payer protected IRS
Notional value 10,000,000
Starting date / expiry: 28.06.2018 / 28.06.2022
Underlying financial risk: interest rate change risk
Liability hedged: Debt security signed by Unicredit Spa on 29 June 2020 for Euro 25,000,000
MTM value: (120,855.82) - recognized in the provision for risks of financial instruments payable

Contract: UNICREDIT SPA UTI MMX26663722

Type of contract: OTC derivative
Purpose: hedging of interest rate changes on loans - payer protected IRS
Notional value 9,750,000
Starting date / expiry: 29.06.2020 / 29.06.2023
Underlying financial risk: interest rate change risk
Liability hedged: Debt security signed by Unicredit Spa on 29 June 2020 for Euro 25,000,000
MTM value: (50,418.75) - recognised in the provision for risks of financial instruments payable

Contract: UBI BANCA no. 171736 of 15.11.2018

Type of contract: OTC derivative
Purpose: hedging of interest rate change on loan - - IRS
Notional value 2,997,662
Underlying financial risk: interest rate change risk
Speculative derivative for early repayment of the hedged liability
MTM value: (34.812,80) - recognised in the provision for risks of financial instruments payable

22. INFORMATION ON THE OBLIGATION TO PREPARE CONSOLIDATED FINANCIAL STATEMENTS

The Company prepared the consolidated financial statements for the year ended on 31 December 2020, as it did not apply the right of exemption envisaged by paragraph 3 of article 27 Legislative Decree 127/1991.

23. INFORMATION PURSUANT TO ARTICLE 2428, PARAGRAPH 3, NOS. 3 AND 4

Pursuant to paragraph 7 of article 2435-bis of the Italian Civil Code, it should be noted that the company does not hold, nor did it hold during the year, treasury shares or shares of parent companies.

24. PROPOSED ALLOCATION OF PROFIT FOR THE YEAR

Pursuant to article 2427, paragraph 1, number 22-septies of the Italian Civil Code, the allocation of the profit for the year of Euro 20,124,892.74 is proposed as follows:

Legal reserve	Euro 66,884.62
Dividends	Euro 10,000,000.00
Retained earnings	Euro 10,058,008.12

The financial statements correspond to the results of the accounting records.

Paruzzaro, 22 February 2021

The Chairman of the Board
of Directors
(Pier Franco Uzzeni)

U-Invest S.r.l.

Financial statements as at 31 December 2020

Independent auditor's report in pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Sole Quotaholder of
U-Invest S.r.l.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of U-Invest S.r.l. (the Company), which comprise the balance sheet as at 31 December 2020, the income statement for the year then ended, and explanatory notes.
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory auditor ("Sindaco Unico") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Milan, 10 March 2021

EY S.p.A.
Signed by: Gabriele Grignaffini, Auditor

This report has been translated into the English language solely for the convenience of international readers.

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Creative concept,
design and layout

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