



CEMBRE

2020 ANNUAL FINANCIAL REPORT

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Cembre S.p.A.

Head Office: Via Serenissima 9, Brescia, Italy
Share Capital: EUR 8,840,000 (fully paid-up).
Registration no: 00541390175 (Commercial Register of Brescia)

This document contains translations of the draft statutory annual financial statements and consolidated annual financial statements prepared in the Italian language for the purpose of the Italian law and of CONSOB regulations (CONSOB is the public authority responsible for regulating the Italian securities market)

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Report on Operations for the 2020 Financial Year

Operating Review

The results for 2020 are influenced by the pandemic crisis that has significantly impacted all markets. The loss of human lives, the blocking of activities, travel restrictions and generalised fear have severely affected the economic fabric, causing a drop in demand and a reduction in investments. The Cembre Group, despite having suffered a reduction in its turnover, managed to contain the effects of the crisis, in particular thanks to the positive performance of the fourth quarter, which grew, in terms of turnover, by 6.9% compared to same period of 2019. Overall, the Group closed 2020 with consolidated turnover down 6.3%, reaching a sales volume equal to €137.1 million.

The trend in consolidated sales by geographical areas shows a 4.3% decrease in the Italian market, with sales of €56.0 million. Revenues in the rest of Europe decreased by 6.9% and stood at €64.0 million, while sales in the rest of the world were down by 10.2%, with revenues equal to €17.1 million. In 2020, sales revenues to the Italian market represented 40.8% of the total (40.0% in 2019), sales to the rest of Europe 46.7% (47.0% in 2019) and sales in the rest of the world represented 12.5% of total sales (13.0% in 2019).

Sales by geographical area:

(euro '000)	2020	2019	Change	2018	2017	2016	2015	2014	2013
Italy	55,955	58,469	-4.3%	59,023	55,576	49,029	48,564	44,100	39,252
Rest of Europe	64,050	68,757	-6.9%	62,649	54,319	51,516	52,210	51,204	47,980
Rest of the World	17,132	19,070	-10.2%	22,424	22,742	22,060	20,603	17,601	17,315
Total	137,137	146,296	-6.3%	144,096	132,637	122,605	121,377	112,905	104,547

Revenues by Group company (net of intragroup sales):

(euro '000)	2020	2019	Change	2018	2017	2016	2015	2014	2013
Parent Company	73,578	76,917	-4.3%	77,955	74,966	67,134	65,725	58,554	53,814
Cembre Ltd. (UK)	16,688	19,274	-13.4%	18,336	17,468	18,143	19,710	20,577	19,390
Cembre S.a.r.l. (F)	9,557	10,654	-10.3%	10,089	9,502	8,976	8,677	8,354	7,763
Cembre España S.L.U. (E)	11,107	11,765	-5.6%	10,853	9,549	7,979	8,200	7,016	6,139
Cembre GmbH (D)*	15,587	15,149	2.9%	12,987	8,217	7,866	7,775	7,558	7,238
Cembre AS (NOR) <i>Liquidated in 2016</i>	n.a.	n.a.	n.a.	n.a.	n.a.	23	1,080	960	791
Cembre Inc. (USA)	10,620	12,537	-15.3%	13,876	12,935	12,484	10,210	9,886	9,412
Total	137,137	146,296	-6.3%	144,096	132,637	122,605	121,377	112,905	104,547

(*) From July 1, 2020, the company IKUMA KG was merged by incorporation in Cembre GmbH. The two companies operated in close synergy from the start of the year, through common management and a strategy defined at country level; for said reason, the data were shown in the tables in consolidated form, considering the data of the German companies jointly (note that IKUMA was acquired effective from May 1, 2018, therefore the data up to 2017 concern solely Cembre GmbH).

During the year, all Group companies recorded a decrease in turnover from third parties, with the exception of the German subsidiary Cembre GmbH, which grew by 2.9%.

Overall, the contribution of subsidiaries to the Group's turnover went from €69.4 million in 2019, equal to an incidence of 47.4%, to €63.6 million in 2020, equal to an impact of 46.3% on consolidated turnover; overall, sales by foreign subsidiaries decreased by 8.4%.

Revenues from sales of the various companies prior to consolidation are outlined below:

	Revenues from sales prior to consolidation								
(euro '000)	2020	2019	Change	2018	2017	2016	2015	2014	2013
Cembre S.p.A.	101,410	108,809	-6.8%	109,068	103,476	94,650	92,616	84,903	78,100
Cembre Ltd. (UK)	18,207	21,254	-14.3%	20,937	18,916	19,633	21,130	22,271	20,914
Cembre S.a.r.l. (F)	9,748	10,799	-9.7%	10,107	9,509	9,006	8,680	8,423	7,815
Cembre España S.L.U. (E)	11,111	11,779	-5.7%	10,860	9,554	7,980	8,216	7,019	6,145
Cembre GmbH (D)	15,662	15,237	2.8%	13,187	8,328	7,960	7,889	7,685	7,388
Cembre AS (NOR) <i>Liquidated in 2016</i>	n.a.	n.a.	n.a.	n.a.	n.a.	198	1,080	960	798
Cembre Inc. (USA)	10,663	12,572	-15.2%	13,898	12,962	12,645	10,675	10,052	9,456

In 2020, Group companies reported the following results:

	Net result prior to consolidation								
(euro '000)	2020	2019	Change	2018	2017	2016	2015	2014	2013
Cembre S.p.A.	16,455	22,600	-27.2%	21,257	24,444	15,932	14,438	12,202	8,676
Cembre Ltd. (UK)	1,408	2,062	-31.7%	1,926	3,743	1,896	2,346	2,603	2,308
Cembre S.a.r.l. (F)	221	338	-34.6%	545	169	160	277	194	171
Cembre España S.L.U. (E)	491	443	10.8%	585	740	(9)	414	305	230
Cembre GmbH (D)	515	367	40.3%	758	508	398	491	303	289
Cembre AS (NOR) <i>Liquidated in 2016</i>	n.a.	n.a.	n.a.	n.a.	n.a.	(130)	21	69	11
Cembre Inc. (USA)	385	666	-42.2%	1,063	863	655	357	561	804

For a more direct evaluation of the effect of foreign exchange translations, we include below sales figures of Group companies operating outside the euro area in the respective currency.

	Currency	Revenues from sales prior to consolidation								
(euro '000)		2020	2019	Change	2018	2017	2016	2015	2014	2013
Cembre Ltd. (UK)	Gbp	16,198	18,656	-13.2%	18,523	16,583	16,089	15,337	17,953	17,761
Cembre Inc. (USA)	US\$	12,179	14,075	-13.5%	16,412	14,643	13,996	11,844	13,354	12,559

	Currency	Net result prior to consolidation								
(euro '000)		2020	2019	Change	2018	2017	2016	2015	2014	2013
Cembre Ltd. (UK)	Gbp	1,253	1,810	-30.8%	1,704	3,281	1,554	1,703	2,098	1,960
Cembre Inc. (USA)	US\$	439	833	-47.3%	1,256	975	725	396	746	1,067

To provide a better understanding of the Company's financial performance for 2020, a Reclassified Consolidated Income Statement for the years ended December 31, 2020 and 2019 showing percentage changes is enclosed as Attachment 1.

Gross operating profit for the period amounted to €36,297 thousand, representing a 26.5% margin on sales, down 2.2% on 2019 when it amounted to €37,098 thousand, representing a 25.4% margin on sales. The incidence of cost of sales decreased compared to 2019, from 32.4% to 30.3%, while the weight of services costs fell too, from 13.9% to 12.4%. The weight of Personnel costs rose from 28.5% to 30.2%, despite the decrease in absolute terms, due to the use of Cassa Integrazione (Wages Guarantee Fund) during the period when activities were suspended to contain Covid-19. The average workforce went from 744 units in 2019 (including 35 temporary workers) to 753 units in 2020 (including 32 temporary workers), the most significant increase being the German company Cembre GmbH, which saw the average workforce grow from 47 to 56 employees.

Consolidated operating profit for the period amounted to €25,200 thousand, representing an 18.4% margin on sales, down 7.3% on €27,181 thousand in 2019, when it represented an 18.6% margin on sales.

Consolidated profit before taxes amounted to €24,902 thousand, representing an 18.2% margin on sales, down 7.6% on €26,937 thousand in 2019, when it represented an 18.4% margin on sales.

Consolidated net profit for the year amounted to €18,975 thousand, representing a 13.8% margin on sales, down by 12.5% compared to 2019, when it amounted to €21,690 thousand and represented a 14.8% margin on sales. It is noted that in 2019, the net result benefited from the application of the “Patent Box” regime, which had resulted in a benefit in reduction of the Parent Company's taxes of €1,744 thousand. Cembre S.p.A. submitted a request to the Revenue Agency for the renewal of the agreement concerning the application of the “Patent box” regime for the period 2020-2024. Said request was declared admissible; however, as of the date of this document, it is not possible to establish the outcome and the date of conclusion of this negotiation.

The consolidated net financial position went from a positive balance of €5.6 million at December 31, 2019, to a positive balance of €8.4 million at December 31, 2020, the benefit of lower investments made in the period.

See the notes and the statement of cash flows for further detail.

Investments

Capital expenditure by the Group in 2020 with regard to fixed assets, growth of amortization and depreciation, is broken down as follows:

(euro '000)	2020	2019	Change
Capital expenditure on intangible assets	793	1,057	(264)
Capital expenditure on property, plant and equipment	7,181	10,609	(3,428)
Total	7,974	11,666	(3,692)

More detail is provided in the notes under Property, plant and equipment.

Results of the Parent Company

Results of the Parent Company for 2020 and 2019 are shown in the table below.

(euro '000)	2020	%	2019	%	Change
Revenues from sales and services provided	101,410	100	108,809	100	(6.8%)
Gross operating profit	29,325	28.9	30,886	30.5	(5.1%)
Operating profit	20,178	19.9	22,657	22.3	(10.9%)

Pre-tax result	21,217	20.9	26,750	26.4	(20.7%)
Net result for the year	16,455	16.2	22,600	22.3	(27.2%)

In 2020, Cembre S.p.A. recorded €1,383 thousand as dividends from its subsidiaries as compared with €4,281 thousand in 2019.

Revenues from sales and services of Cembre S.p.A. were down by 6.8%, from €108,809 thousand in 2019 to €101,410 thousand in 2020. Domestic sales fell by 4.3%, sales to other European countries (excluding Italy) posted a 5.8% decrease and sales in the rest of the world instead dropped by 21.3%.

Area (euro '000)	2020	2019	Change
Italy	55,955	58,469	(4.3%)
Rest of Europe	35,424	37,596	(5.8%)
Rest of the World	10,031	12,744	(21.3%)
Total	101,410	108,809	(6.8%)

Definition of alternative performance indicators

In compliance with CONSOB Communication DEM/6064293 dated July 28, 2007, below we define alternative performance indicators used in the present document to illustrate the financial and operating performance of the Group.

Gross Operating Result (EBITDA): defined as the difference between sales revenues and costs for materials, of services received, and the net balance of operating income and charges. It represents the profit before depreciation, amortization and write-downs, financial flows and taxes.

Operating Result (EBIT): defined as the difference between the Gross Operating Result and the value of amortization/impairment. It represents the profit before cash flows and taxes.

Net Financial Position: represents the algebraic sum of cash and cash equivalents, financial receivables and current and non-current financial debt.

Reclassified Consolidated Statement of Financial Position

	(euro '000)	12/31/2020	12/31/2019
	Trade receivables, net	25,799	22,284
	Inventories	50,435	50,828
	Other non-financial assets	2,152	2,239
	Trade payables	(11,588)	(12,062)
	Other non-financial liabilities	(10,570)	(8,930)
A)	Net current assets (working capital)	56,228	54,359
	Property, plant and equipment and investment property	85,735	87,454
	Intangible fixed assets	4,392	4,442
	Goodwill	4,608	4,608
	Assets for rights of use on leased assets	6,653	6,366
	Deferred tax assets	2,889	3,091
	Other non-current assets	57	34
B)	Net fixed assets	104,334	105,995
C)	Non-current assets available for sale	-	-
D)	Employee severance indemnity	2,178	2,356
E)	Provisions for risks and charges	265	278
F)	Deferred tax liabilities	2,938	2,856
G)	Net capital employed (A+B+C-D-E-F)	155,181	154,864
	Financed by:		
H)	Shareholders' equity	163,589	160,426
	Long-term financial payables	5,010	4,901
	Cash and short-term financial receivables	(37,688)	(20,983)
	Short-term financial payables	24,270	10,520
I)	Net Debt/(Availability)	(8,408)	(5,562)
J)	Total sources of funds (H+I)	155,181	154,864

Shareholders' equity

Consolidation adjustments determined the following differences between the Financial Statements of the Parent Company Cembre S.p.A. at December 31, 2020 and the consolidated accounts at the same date:

(euro '000)	Shareholders' equity	Net Profit
Shareholders' equity and result of the Parent Company	140,785	16,455
Difference between the book value and shareholders' equity and pro-quota result	26,419	3,018
Elimination of intra-group profits included in the value of inventories (*)	(3,542)	1,012
Cembre GmbH product warranty provision reversal (*)	22	(1)
Intercompany reconciliations	(85)	(133)
Cancellation of dividends	-	(1,378)
Netting of intragroup capital gains	(10)	2
Shareholders' equity and result of the Group	163,589	18,975

(*) Net of the related tax effect

Main risks and uncertainties

Risks connected to the economic situation

The economic and financial situation of the Group is influenced by macroeconomic factors such as changes in the Gross Domestic Product, consumer and business confidence, changes in interest rates and the cost of raw materials.

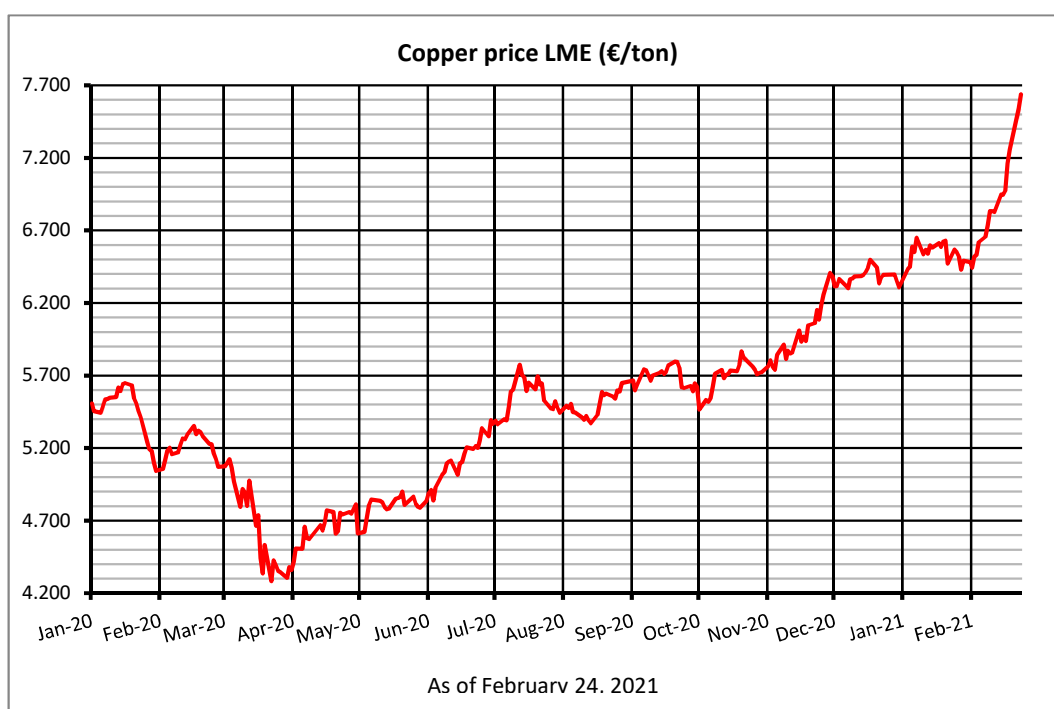
The loss of human lives, the drastic change in lifestyle, the collapse of the markets have characterised this tragic 2020; the most costly were the categories of weaker workers, the operators of the sectors that work with the public (tourism, catering, trade, etc.) and the poorest social stratum. The hopes of all countries now all lie on vaccines, which are expected to allow a decisive recovery in markets and lifestyles starting from the second half of 2021. Already in the second half of 2020, the markets had given clear signs of awakening. However, the worsening of infections and the spread of new variants of the virus have unfortunately slowed the process, moving forward forecasts for a restart of the economy. The latest estimates by the International Monetary Fund indicate a decrease in world gross domestic product of 3.5% for 2020, while the projections for 2021 indicate growth of 5.5% and stabilisation at pre-crisis levels for 2022, with a growth of 4.2%. Obviously, said data can vary considerably from country to country based on structural characteristics, accessibility to health services and the effectiveness of economic support policies. Cooperation between states will be fundamental in these months, in order to ensure availability and dissemination of vaccines as widespread as possible, as well as support for the weakest economies.

Regarding the countries where the Group's companies are based, the International Monetary Fund expects the United States, the country most affected by the epidemic, to have closed 2020 with a decrease in GDP equal to 3.4% with an expected recovery for 2021 of 5.1%. The United Kingdom, on the other hand, has seen its GDP fall by 10.0% in 2020, with a growth forecast for 2021 of 4.5%. The Eurozone on the whole is expected to lose 7.2%, then rise next year by 4.2%; for Italy and Spain, estimates respectively indicate a drop in GDP of 9.2% and 11.1%, with a rebound of 3.0% and 5.9% in the next year, France will see a decrease of 9.0% and a recovery of 5.5%; lastly, Germany is expected to see a drop of 5.4% with a forecast recovery of 3.5% in 2021.

Based on projected global growth, the price of oil is also expected to rise for 2021, with a rate that is expected to be around 20%, while remaining well below the average price recorded in 2019. The cost of raw materials, especially metals, is also expected to rise in 2021.

Copper continues to represent the main raw material used in the Cembre Group production process and the price of the commodity is thus constantly monitored.

In 2020, the price of copper was impacted, like all indicators, by the pandemic crisis, reaching its minimum, around 4,200 €/ton, at the end of March, the period of the first global explosion of the epidemic. Subsequently, there was an almost constant increase in the price, which reached a value of around 6,300 €/ton at the end of the year. The new year, on the other hand, opened with a more marked growth in prices, which suddenly rose from February, confirming the forecasts mentioned above.



The wide margin of uncertainty on which estimates of future performance are based make it very difficult to make reliable predictions regarding the performance of markets and demand. The Cembre Group, thanks to its strong financial position and good competitive hedge, is confident about the future and feels it is in a position to take advantage of opportunities that may arise and to react to possible changes in the economic scenario that may develop in the next months.

Covid-19 risk

The Group implemented all the measures to prevent, control and contain the virus in order to protect the health of its employees, through both the reorganisation of work, of procedures and logistics, and by purchasing and installing protective equipment.

The Group is keeping a close eye on virus developments, and is ready to implement additional measures and investments if needs be. For more details, please refer to the paragraph “Implications of the Covid-19 pandemic” of this Report.

Risks connected with the market

The Group protects its market position by pursuing ongoing innovation, the widening of the product range, the launch of lower cost products and by introducing into production

processes the most advanced methods and machinery, while implementing targeted marketing policies with the help of its foreign subsidiaries.

Credit risk

Cembre and its subsidiaries focused over time on a careful selection of customers, managing prudently sales to those that do not possess an adequate credit standing. The Group has accrued a provision for doubtful accounts and the management doubtful accounts, constantly monitoring past due amounts and soliciting payment when terms have expired. To further reduce this type of risk, Cembre S.p.A. and Cembre España SLU have stipulated an insurance policy with a leading insurance company against commercial credit losses.

Exposure to credit risk relates exclusively to trade receivables.

Liquidity risk

Thanks to its solid financial position, the Group is not currently subject to particular liquidity risk, even in case the cash flow generated by operations should decline drastically.

Interest rate risk

As at December 31, 2020, four fixed rate loans were taken out in the name of the Parent Company Cembre S.p.A., expiring in 2021. Owing to the nature and duration of the contracts, the interest rate risk can be considered zero.

Currency risk

Despite its strong international presence, the Group does not have a significant exposure to currency risk, as it operates almost entirely in the euro area, the currency in which its trade transactions are mainly denominated. Exposure to currency risk is basically limited to sales in US dollars and British pounds, but the size of these transactions is not significant in influencing the overall performance of the Group or its financial position.

Integrity and reputation risk

Possible illicit behaviour of employees, aimed at obtaining benefits for themselves and for the Group, can imply the risk of a loss of reputation and of sanctions against the Group.

To prevent the risk of these occurrences and in line with Legislative Decree 231/2001, the Parent Company Cembre S.p.A. adopted an organisational, management and control model that identifies processes that are subject to risk and establishes the conduct that the various persons are to engage in while carrying out their tasks. The model was illustrated to employees through specific training sessions. The Parent Company constantly integrates and upgrades the model. The Code of Ethics was adopted at Group level, containing the values and principles that all Group companies must be inspired by in carrying out their activities.

Further information on main risks and uncertainties is contained in the notes.

Environmental management and protection of health and safety in the workplace

Cembre relies its internal control system on company procedures relevant to the prevention and monitoring of operational risks for the environmental part according to the orientation and line of UNI EN ISO 14001:2015 and for the workplace health and safety part, according to the orientation and line of the OHSAS 18001:2007 standard.

With a view to continuous improvement, in 2021, Cembre will make the transition from the current OHSAS 18001:2007 standard to UNI EN ISO 45001:2015 for Cembre S.p.A. and the same project has also been extended to Cembre Ltd (UK), a group company based in Great Britain and the second production site of the Cembre Group. Therefore, both Cembre S.p.A. and Cembre Ltd will have their own Environmental and Safety Management Systems certified according to the reference standards.

The certification of the Environmental and Safety Management System of the Group's production sites allows us to ensure the application of common, shared and respectful behavioural guidelines towards the environment where they are based, and towards the protection of their workers.

This management system is monitored through internal and external audits and through the Management Review.

Through the implementation of operating procedures strictly in line with regulations regarding environmental protection, workplace safety and the application of principles for sustainable development Cembre can:

- create opportunities to protect the environment by preventing or mitigating environmental impacts, in which it is present;
- fulfil its compliance obligations;
- improve environmental performance;
- design and manufacture products using materials and processes that ensure the protection of the environment throughout the life of the product, from manufacturing to disposal;
- reduce as much as possible the risk of injuries and accidents during work activities;
- guarantee workplace well-being.

Result indicators

To provide a better understanding of results of the Group, we provide below the value of some ratios commonly used in financial statement analysis:

Financial ratios

		12/31/2020	12/31/2019
ROE	Return on Equity	11.6%	13.5%
ROS	Sales revenues	18.4%	18.6%
ROI	Revenues from ordinary operations	11.4%	13.4%

ROE (Return on Equity): is the ratio between net profit and Shareholders' Equity. It is an index of the profitability of capital invested, used to compare the investment in the company with investments of a different nature on a yield basis.

ROS (Return on Sales): is calculated as the ratio between operating profit and net revenues. It indicates profitability as a proportion of revenues, or the ability to generate profit from the purchase-manufacturing-resale cycle.

ROI (Return on Investment): is the ratio between capital employed (total assets net of investments in non-operating assets, which for the Cembre Group do not exist). It indicates the ability of the company to generate profits through operating activities.

Liquidity ratios

		12/31/2020	12/31/2019
DI	Current ratio	2.50	3.06
LS	Liquidity ratio	1.41	1.44

DI: it is computed by dividing current assets by current liabilities. It indicates the ability of the company to face current liabilities with current assets. A value above 2 signals an optimal situation.

LS: it is computed by dividing the sum of current and deferred liquidity by current liabilities, and is used to assess the firm's ability to pay off current liabilities. A value above 1 signals an ideal liquidity position.

Debt management ratios

		12/31/2020	12/31/2019
CI	Self-coverage of fixed assets ratio	1.61	1.56
LEV	Debt ratio	1.35	1.27
IN	Debt ratio	25.9%	21.1%

CI: it is computed by dividing Shareholders' Equity by Fixed Assets and it indicates the ability of the company's equity to cover its investment needs. A value above 1 signals an optimal situation.

LEV (Leverage): it is computed by dividing capital employed by the Shareholders' Equity and it represents the degree of debt of the company. The higher the ratio, the higher the riskiness of the company.

A value between 1 and 2 represents equilibrium in the sources of funds.

IN: it is computed by dividing the sum of current and non-current liabilities by capital employed and it indicates the percentage share of funds provided by third parties in financing the company. A value below 50% indicates an adequate financial structure.

Research & Development

Costs incurred by Cembre S.p.A. for personnel employed in research and the development of new products amounted to €499 thousand, of which €187 thousand relating to

research activities, expensed to the income statement, and €312 thousand to development, capitalised under intangible assets.

External costs relating to prototyping, consultancy and design activities amounted to €149 thousand, of which €115 thousand capitalised under intangible assets.

Below we include an overview of projects carried out in the year.

Cable terminals

There were 40 projects for new products. Each study involved both new connectors and equipment for their manufacturing.

The study of an innovative range of mechanical connectors continued, as well as laboratory tests and the design of new connectors for different joint modes and for different cable sections.

The design, construction and testing continued of the new equipment for the production of two families of copper connectors, updated according to the demands of the German market.

Railroad equipment

There were various projects for equipment and tools related to the maintenance of railway systems.

The prototype was created of a new battery-powered machine for the maintenance of the railway section. This machine has performance and functionality features that are not currently on the market.

The construction of the prototype of a new cordless tool for rail maintenance was completed, with innovative ergonomic features. This machine is alongside a model equivalent in performance, however equipped with an internal combustion engine, overcoming its limitations from an environmental point of view.

The development of jigs and clamps for the drills for rail drilling continued, including a series dedicated to the Belgian market.

Tools

The prototype for a new clamp for the compression of electrical terminals was approved; the product, now in the industrialisation phase that precedes mass production, will be marketed in 2021.

Last year, the project for a hydraulic head for cable inspection was developed, the study of which continued throughout 2020. This tool is able to communicate with the relevant control pump, signalling completion of the operation, avoiding the most complex and dangerous phases of the traditional inspection process. In 2020, the product, which is the subject of a patent, was tested on site by an American customer.

Three new hydraulic tools for the compression of connectors were introduced on the market, one controlled manually and two battery-powered. They were created for the German market, where they are highly regarded, and present an innovative solution that makes them easy to use.

The design started of 10 series of matrices for the compression of electrical connectors, dedicated to the new tools described above.

Cable marking

There were 22 projects for new products for industrial marking. Studies also included the related manufacturing tools.

The most challenging project definitely concerns the expansion and updating of the current range of thermal transfer printers, with the goal of ensuring the best solution for each type of use.

A new thermal transfer auto-loaded printer with display with touch technology will soon be launched on the market, suitable for intensive use.

Lastly, an innovative thermal transfer printer is at the design phase, which will enter into production by the first half of next year.

Pressfit

A new hydraulic tool has been designed, suitable for permanent deformation of the ends of multilayer pipes, so that they can be assembled with suitably shaped hydraulic fittings.

The prototype has been built and is currently being validated. In 2021, it will be put into production.

Transactions with related parties

Cembre S.p.A. signed leases with “Tha Immobiliare S.p.A.”, with registered office in Brescia, and capital subdivided between Anna Maria Onofri, Giovanni Rosani and Sara Rosani, members of the Board of Directors of Cembre S.p.A..

Invoices issued in the year relating to the above contracts were all paid in full.

Cembre Ltd. leases an industrial building from Borno Ltd., a company controlled by Lysne S.p.A. (holding company of Cembre S.p.A).

A summary of the amounts reported in the financial statements relating to the above contracts is provided below:

	Assets	Non-current liabilities	Current liabilities	Amortisation	Interest expense
Leased assets from THA - Cembre S.p.A.	3,733	2,295	482	496	63
Leased assets from Borno - Cembre Ltd	979	771	141	146	14

Cembre GmbH has recorded €994 thousand under its liabilities, relating to the discounted value of the residual debt to the former owners and directors of IKUMA. The discounted non-current portion of this debt amounts to €496 thousand.

Detail of compensation received by directors and statutory auditors is provided in the notes.

Absence of control and coordination

Despite the fact that article 2497-sexies of the Italian Civil Code states that “it is presumed that, unless otherwise proved, the direction and coordination activities of companies is exercised by the company or entity that is required to consolidate the same in its accounts or that, in any case, controls the former company pursuant to article 2359 (of the Italian Civil Code)”, Cembre S.p.A. believes that it operates in full autonomy with respect to its parent Lysne S.p.A.

In particular, as a non-exhaustive example, the Company manages autonomously its own treasury and relationships with its customers and suppliers, and does not make use of any service provided by its parent company.

Relationships with parent company Lysne S.p.A. are limited to the normal exercise of shareholders' rights on the part of the parent.

Companies incorporated under the laws of States that are not part of the European Union

In 2020, Cembre S.p.A. controlled two companies incorporated under the laws of States that are not part of the European Union, Cembre Inc., incorporated in the US and Cembre Ltd, incorporated in the UK.

The company deems the administrative, accounting and reporting systems currently in use to be adequate in supplying regularly its management and the company's independent auditors with the operating and financial information necessary for the preparation of the Consolidated Financial Statements.

The financial statements prepared by the companies, for the purpose of preparing the consolidated financial statements, are subject to auditing.

Cembre S.p.A. is active in ensuring an adequate flow of information from Cembre Ltd and Cembre Inc. to its independent auditors and believes the current communication process in place with the independent auditors to be effective.

Cembre S.p.A. already holds the By-laws, composition and powers of the boards of Cembre Ltd and Cembre Inc.; directives have been issued ensuring the timely disclosure of any change or amendment to the above.

Own shares and shares of parent companies

At December 31, 2020, the number of own shares held by Cembre S.p.A. was 258,041, corresponding to 1.52% of the capital stock. The shareholders' meeting of Cembre S.p.A. on May 20, 2020, resolved the authorisation to purchase own shares, effective for the 18 months subsequent to the date of the meeting. During the 2020 financial year, no own shares were purchased. The only transaction is related to the assignment of 22 thousand

shares to employees, in execution of the provisions of the incentive plan. It annually provides for the allocation to Company executives and middle managers of the of rights to acquire Cembre S.p.A. ordinary shares, approved by the Shareholders' Meeting of April 18, 2019, described in detail in the notes, to which reference is made for further details.

Ownership Structure and Corporate Governance

In compliance with norms contained in article 123-bis of Legislative Decree 58, dated February 24, 1998 (Testo Unico della Finanza - Consolidated Finance Act), we refer to the Report on Corporate Governance which, in addition to providing a general description of corporate governance and of risk management and internal control procedures, contains information regarding the ownership structure of the Company, the adoption of the Code of Conduct and the observance of the resulting commitments. Said Report is available in the Investor Relations section of the Group's institutional web site www.cembre.it.

Consolidated non-financial declaration

The Consolidated non-financial declaration issued pursuant to the provisions of Legislative Decree no. 254 of December 30, 2016, constitutes a separate report, available in the "Investor Relations" section of the www.cembre.it website, under "Reports and Financial Statements".

Implications of the Covid-19 pandemic

The explosion of the Covid-19 pandemic not only caused a decline in sales revenues and a drop-off in results described above, but required the Cembre Group to implement a series of preventive actions to contain the spread of the virus and protect the health of all the Group's employees. Initially, it launched a major information campaign by posting, in commonly used rooms and toilets, the rules of behaviour and hygiene practices recommended by the health authorities to combat the epidemic, together with the distribution of hand gel. Subsequently, due to the deterioration of the situation, it changed the organisation of work, arranging it into several shifts, in order to reduce the number of people present in the various departments. The presence of people in the same office was reduced to a minimum and, where possible, people were placed in smart

working mode. During the most acute phase of the virus, activities in Italy went into almost total shut-down from March 23 to May 4. Cembre S.p.A. never halted deliveries, given suppliers of Railway and Electrical Companies and other activities of primary interest. During that period, for personnel who could not be placed into smart working mode, the company made use of social shock absorbers. In order to compensate for 50% of the salary reduction during the redundancy period, Cembre S.p.A. has activated an economic compensation program, and has also awarded an attendance bonus to those who have physically worked during the lock-down period from March 23 to April 17; the overall company cost of these additions was €411 thousand.

The Cembre Group incurred costs of €214 thousand in 2020, of which 18 thousand capitalised among fixed assets, in order to be able to put into practice all the provisions necessary to combat Covid-19, namely: purchase of personal protective equipment, purchase of sanitising products, sanitation of environments, installation of thermal scanners, modification of the layout of offices and reception, serological tests and flu vaccinations for employees, temperature control service at the entrance.

In this hugely difficult period, Cembre decided to pledge its support to three institutions committed on the front line of the fight against the virus, by donating €35 thousand to the Fondazione Poliambulanza, €35 thousand to the Fondazione Civiltà Bresciana and €30 thousand to the Italian Red Cross. In addition, it donated 20 tablets, for a total value of €3 thousand, to the Municipality of Brescia to allow the most needy students to take part in school lessons on-line.

The net financial position was negatively affected by the reduction in revenues following the pandemic, however without creating particular requirements, given the financial and capital solidity of the Group. In fact, the new loans entered into during the year are part of normal operational management and were not determined by the pandemic crisis. The loan instalments due were reimbursed regularly, with no request for any moratorium.

The analysis of receivables did not highlight any particular criticalities linked to the pandemic. Therefore, it was not necessary to change the write-down percentages of commercial activities.

Cembre S.p.A. recorded a tax receivable of €28 thousand for the purchase of personal protective equipment and for the sanitisation of premises, as per article 125 of DL 34/2020. The amount is recognised under “Other revenues” and will be recovered in 2021.

The effects of the pandemic on the subsidiaries of Cembre S.p.A. are briefly summarised below:

Cembre Ltd

Although the first months of the year were positive, the pandemic put a strain on the company. In May, June and July, 60/70% of the employees of the production departments were made redundant, due to the significant reduction in manufacturing activities as a result of the national lock-down. Starting from August, there was a recovery in production with a further increase in the last months of the year.

From a commercial point of view, the limitations as of the second quarter of 2020, led to the closure of many customers, with the consequent redundancy of the commercial staff and a reduction in sales compared to the previous year equal to 41.7%. The third quarter saw a slow recovery, although many customers, with the exception of suppliers of essential goods, remained closed. The real restart took place starting from the fourth quarter, with the reopening of all the companies, recording a 5.0% growth in sales compared to the same period of 2019.

During the year, the company progressively improved its ability to manage all the effects of the virus. The presence of an adequate IT structure has allowed many to work remotely without major problems. This possibility will also be exploited in the first quarter of 2021. The risk prevention system is constantly updated in order to guarantee the health of workers, among the various actions we point out: staggered entrances, exits and lunch breaks, disinfectant gels, marked and mandatory routes, use of masks in crowded areas, online meetings and limitations on the entry of external personnel. Due to travel restrictions, most personnel have postponed their annual holidays from 2020 to 2021. This will lead to reduced coverage of some departments, especially during the usual

holiday periods, also leading to the need to relocate personnel from one area to another to ensure the regularity of work processes without the need for new hires. Also to be taken into consideration is the need to cover the hours of work lost due to personnel who tested positive or subjected to fiduciary quarantine. Currently, 2 employees benefit from social shock absorbers for an indefinite period for health reasons, while on average 2 people per week are absent for reasons related to the virus.

Cembre Inc.

The pandemic has significantly impacted every aspect of business: sales, repairs, human resources and logistics. Safety measures and travel restrictions have forced the sales office to find new solutions to ensure customer support remotely. This, combined with the difficulties of customers themselves, has negatively affected sales.

More than half of employees were forced to work from home for most of the year, which led to a significant change in internal procedures. Currently, part of the staff continues to work totally or partially remotely; this has contributed positively to a reduction in the use of paper documents. However, at the same time, it has slowed the process of fulfilling customer orders.

Working hours have decreased due to prolonged absences related to health problems and the mandatory quarantine, which are putting the entire personnel to the test.

The new protocols provided by the state have been introduced as well as daily health checks for the access of employees and visitors.

Delivery times for customers, suppliers and couriers have been significantly extended, and in some cases, express shipments are not guaranteed.

Cembre SLU

The Spanish government declared a state of alarm for the Coronavirus pandemic on March 14, 2020, which was extended until June 21.

In this phase, the restrictions were very severe. Some customers and distributors closed, and customer visits were suspended, with serious effects on sales. This led to a sharp reduction in turnover in March and April.

The railway sector suffered an abrupt halt due to the block on government investments.

The company strengthened its credit analysis to deal with the insolvency risks associated with the pandemic. In fact, many creditors were forced to postpone payments. Thanks to government interventions, corporate liquidity has not deteriorated excessively and delays have progressively reduced.

The business of Cembre SLU never stopped and all the personnel continued to physically work at the company's offices. To limit the spread of the virus, working hours have been changed, eliminating the lunch break.

The Company has not benefited from any government contributions related to the pandemic.

Cembre GmbH

The creation of a detailed health protocol for the two German sites, Munich and Weinstadt, has made it possible to significantly reduce the effects of the pandemic.

The protocol of Cembre GmbH guaranteed and continues to guarantee remote work where possible, also providing for the necessary technical and structural changes to make it possible.

The cooperation between the two Company sites has been digitised, allowing business to continue without losing efficiency and minimising unnecessary contacts.

The measures introduced by the Government have been implemented without exceptions. This way, the Company has managed to limit the spread of infections as much as possible.

No other type of intervention has been necessary. Thus, the effects on sales and customers have been extremely limited. At the beginning of the pandemic, in the spring of 2020, in agreement with customers, was the advance supply of goods, as at the time the possibility of meeting the needs of customers was uncertain and unclear. However, thanks to a structured inventory management system, it has been possible to guarantee an uninterrupted flow of deliveries. Instead, in the third and fourth quarters, sales were almost normal.

Cembre SARL

Starting from March 2, more stringent measures were adopted to contain the spread of the virus, from the use of masks to the introduction of a real conduct protocol.

From March 16, physical presence was drastically reduced, activating remote work for positions where it was possible, limiting the sharing of spaces and introducing an alternate shift work system dividing in two groups the other workers.

In the week of March 23-27, business stopped and workers were on paid leave.

In the period between March and May, the company made use of the special labour support measures introduced by the French government. These subsidies initially benefited workers of the two alternating groups. They were then extended to commercial staff who, following the total or partial closure of customers, had had to interrupt their business. This partial work system was used for approximately 2,500 hours and involved 21 workers.

As of September 2, the use of masks has become mandatory in all company departments and offices.

Health protocols and remote work are still active.

Relevant effects for the UK exit from the European Union (Brexit)

The Cembre Group operates in the United Kingdom through the company Cembre Ltd, which carries out both commercial and production activities. From January 1, 2021, no particular problems were found in the flows of products and materials to Cembre Ltd; the Group promptly adapted to compliance with customs regulations that became effective also for product flows to the United Kingdom from January 1, 2021.

Significant events after year-end

No event having significant effects on the Group's financial position or operating performance occurred after December 31, 2020, except for the continuation of the health emergency due to the Covid-19 pandemic.

Outlook

In consideration of the uncertainty that characterises the current situation, it is extremely complex to make forecasts. In fact, the evolution of the current health emergency is still uncertain, in particular due to the undefined timing of the vaccination campaign, which is expected to guarantee a gradual return to normality. In any case, it is estimated that the consolidated turnover of the Cembre Group in 2021 will show growth, with a positive economic result forecast.

Proposal for the Allocation of the Net Profit

In order to complete the planned investments and to benefit from self-financed growth, it is advisable that at least a portion of net profit generated be retained. In seeking the approval for our actions by submitting to you the present Financial Statements and Report on Operations, we also invite you, in view of the fact that the legal reserve has already reached 20% of the share capital, to approve our proposed allocation of net profit, amounting to €16,455,237.35 (rounded off to €16,455,237) as follows:

- €0.90 to be distributed to each of the Company's 16,741,959 shares entitled to dividends (taking into account the 258,041 own shares held), for a total of €15,067,763.10, with May 17, 2021 as the ex-dividend date, May 18, 2021 as the record date pursuant to article 83-terdecies of Legislative Decree 58/1998, and May 19, 2021 as dividend payment date;
- the remainder, amounting to €1,387,474.25, to the extraordinary reserve;
- noting that, keeping into account the program for the acquisition of own shares currently under way, (i) the total amount of the dividend distributed could vary with the number of shares entitled to a dividend at the date of the Shareholder's Meeting resolution, and (ii) additional own shares acquired after the date of the Shareholders' Meeting resolution allocating net profit held by the Company at the record date will not be entitled to the distribution of a dividend and the corresponding share of net profit will be accrued to the extraordinary reserve.

Attachments

This document includes the following attachments:

Attachment 1 Comparative Consolidated Income Statement for the year ended
December 31, 2020.

Attachment 2 Composition of corporate boards.

Brescia, March 11, 2021

**FOR THE BOARD OF DIRECTORS
OF THE PARENT COMPANY CEMBRE S.P.A.**
Chair and Managing Director

Giovanni Rosani

Attachment 1 - Report on Operations for 2020

Comparative Consolidated Income Statement

	2020	% of sales	2019	% of sales	Change
(€ '000)					
Revenues from contracts with customers	137.137	100,0%	146.296	100,0%	-6,3%
Other revenues	793		1.027		-22,8%
TOTAL REVENUES	137.930		147.323		-6,4%
Cost of goods and merchandise	(41.745)	-30,4%	(47.165)	-32,2%	-11,5%
Change in inventories	196	0,1%	(217)	-0,1%	
Cost of goods sold	(41.549)	-30,3%	(47.382)	-32,4%	-12,3%
Cost of services received	(17.003)	-12,4%	(20.263)	-13,9%	-16,1%
Lease and rental costs	(113)	-0,1%	(263)	-0,2%	-57,0%
Personnel costs	(41.461)	-30,2%	(41.693)	-28,5%	-0,6%
Other operating costs	(2.577)	-1,9%	(1.628)	-1,1%	58,3%
Increase in assets due to internal construction	1.207	0,9%	1.055	0,7%	14,4%
Write-down of receivables	(94)	-0,1%	(28)	0,0%	235,7%
Accruals to provisions for risks and charges	(43)	0,0%	(23)	0,0%	87,0%
GROSS OPERATING PROFIT	36.297	26,5%	37.098	25,4%	-2,2%
Property, plant and equipment depreciation	(8.407)	-6,1%	(7.613)	-5,2%	10,4%
Intangible asset amortization	(842)	-0,6%	(856)	-0,6%	-1,6%
Depreciation of right of use assets	(1.725)	-1,3%	(1.448)	-1,0%	19,1%
Write-down of long-term assets	(123)	-0,1%	-	0,0%	
OPERATING PROFIT	25.200	18,4%	27.181	18,6%	-7,3%
Financial income	7	0,0%	7	0,0%	0,0%
Financial expenses	(134)	-0,1%	(170)	-0,1%	-21,2%
Foreign exchange gains (losses)	(171)	-0,1%	(81)	-0,1%	111,1%
PROFIT BEFORE TAXES	24.902	18,2%	26.937	18,4%	-7,6%
Income taxes	(5.927)	-4,3%	(5.247)	-3,6%	13,0%
NET PROFIT	18.975	13,8%	21.690	14,8%	-12,5%

Attachment 2 to the Report on Operations for 2020

CORPORATE BOARDS

Board of Directors

Giovanni Rosani	Chair and Managing Director
Anna Maria Onofri	Vice-Chair
Sara Rosani	Director
Aldo Bottini Bongrani	Director
Felice Albertazzi	Director
Franco Celli	Director
Paola Carrara	Independent Director
Fabio Fada	Independent Director

Board of Statutory Auditors

Fabio Longhi	Chair
Riccardo Astori	Auditor
Rosanna Angela Pilenga	Auditor
Maria Grazia Lizzini	Substitute Auditor
Rosella Colleoni	Substitute Auditor

Independent Auditors

EY S.p.A.

This situation is updated at March 11, 2021.

The Board of Directors and Board of Statutory Auditor's term expires with the approval of the Financial Statements at December 31, 2020.

The Chair holds by statute (article 18) powers of legal representation of the Company. The Board of Directors conferred to the Chair and Managing Director Giovanni Rosani all the ordinary management powers not specifically reserved to it by law, including exclusive

powers over the organization, management and monitoring of the internal control system.

In case of absence or impediment of the Chair and Managing Director Giovanni Rosani, Vice Chair Anna Maria Onofri holds all ordinary management powers not reserved to the Board by law. All Managing Directors must keep the Board of Directors informed of all relevant transactions concluded in the context of their mandate. The Board of Directors has approved rules that define which particularly relevant transactions may be concluded exclusively by the same.

Consolidated Financial Statements at December 31, 2020

Consolidated Statements of Financial Position

ASSETS	Notes	Dec. 31, 2020		Dec. 31, 2019	
(euro '000)			<i>of which: related parties</i>		<i>of which: related parties</i>
NON CURRENT ASSETS					
Property, plant and equipment	1	84.880		86.430	
Investment property	2	855		1.024	
Intangible assets	3	4.392		4.442	
Goodwill	4	4.608		4.608	
Right of use assets	5	6.653	3.458	6.366	4.158
Other investments		5		10	
Other non-current assets	6	548		1.013	
Deferred tax assets	15	2.889		3.091	
TOTAL NON-CURRENT ASSETS		104.830		106.984	
CURRENT ASSETS					
Inventories	7	50.435		50.828	
Trade receivables	8	25.799		22.284	
Tax receivables	9	577		843	
Other receivables	10	1.575		1.396	
Cash and cash equivalents		37.688		20.983	
TOTAL CURRENT ASSETS		116.074		96.334	
NON-CURRENT ASSETS AVAILABLE FOR SALE		-		-	
TOTAL ASSETS		220.904		203.318	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2020		Dec. 31, 2019	
(euro '000)			<i>of which: related parties</i>		<i>of which: related parties</i>
SHAREHOLDERS' EQUITY					
Capital stock	11	8.840		8.840	
Reserves	11	135.774		129.896	
Net profit		18.975		21.690	
TOTAL SHAREHOLDERS' EQUITY		163.589		160.426	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	12	5.010	3.066	4.901	3.578
Other non-current payables	16	496	496	989	989
Employee termination indemnity and other personnel benefits	13	2.178	110	2.356	96
Provisions for risks and charges	14	265		278	100
Deferred tax liabilities	15	2.938		2.856	
TOTAL NON-CURRENT LIABILITIES		10.887		11.380	
CURRENT LIABILITIES					
Current financial liabilities	12	24.270	622	10.520	593
Trade payables	17	11.588		12.062	
Tax payables		1.344		309	
Other payables	18	9.226	498	8.621	498
TOTAL CURRENT LIABILITIES		46.428		31.512	
LIABILITIES ON ASSETS HELD FOR DISPOSAL		-		-	
TOTAL LIABILITIES		57.315		42.892	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		220.904		203.318	

Consolidated Financial Statements at December 31, 2020

Statement of Consolidated Comprehensive Income

	Notes	2020		2019	
(euro '000)			<i>of which: related parties</i>		<i>of which: related parties</i>
Revenues from contracts with customers	19	137.137		146.296	
Other revenues	20	793		1.027	
TOTAL REVENUES		137.930		147.323	
Cost of goods and merchandise		(41.745)		(47.165)	
Change in inventories		196		(217)	
Cost of services received	21	(17.003)	(669)	(20.263)	(980)
Lease and rental costs	22	(113)		(263)	
Personnel costs	23	(41.461)	(538)	(41.693)	(859)
Other operating costs	24	(2.577)		(1.628)	
Increase in assets due to internal construction		1.207		1.055	
Write-down of receivables		(94)		(28)	
Accruals to provisions for risks and charges	25	(43)		(23)	
GROSS OPERATING PROFIT		36.297		37.098	
Property, plant and equipment depreciation	1-2	(8.407)		(7.613)	
Intangible asset amortization	3	(842)		(856)	
Depreciation of right of use assets	5	(1.725)	(641)	(1.448)	(617)
Write-down of long-term assets	2	(123)		-	
OPERATING PROFIT		25.200		27.181	
Financial income	26	7		7	
Financial expenses	26	(134)	(77)	(170)	(86)
Foreign exchange gains (losses)	35	(171)		(81)	
PROFIT BEFORE TAXES		24.902		26.937	
Income taxes	27	(5.927)		(5.247)	
NET PROFIT FROM ORDINARY ACTIVITIES		18.975		21.690	
NET PROFIT FROM ASSETS HELD FOR DISPOSAL		-		-	
NET PROFIT		18.975		21.690	
Items that will not be reclassified to profit and loss					
Gains (losses) from discounting of Employees' Termination Indemnity		(31)		(29)	
Income tax relating to items that will not be reclassified		7		7	
Items that may be reclassified subsequently to profit and loss					
Conversion differences included in equity		(1.380)		827	
COMPREHENSIVE INCOME	28	17.571		22.495	
BASIC AND DILUTED EARNINGS PER SHARE	29	1,13		1,30	

Consolidated Financial Statements at December 31, 2020

Consolidated Statement of Cash Flows

	2020	2019
€ '000		
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	20.983	17.198
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the period	18.975	21.690
Depreciation, amortization and write-downs	10.974	9.917
(Gains)/Losses on disposal of assets	33	(20)
Net change in Employee Termination Indemnity	(178)	(201)
Net change in provisions for risks and charges	(13)	(328)
Operating profit (loss) before change in working capital	29.791	31.058
(Increase) Decrease in trade receivables	(3.515)	3.342
(Increase) Decrease in inventories	393	(209)
(Increase) Decrease in other receivables and deferred tax assets	289	1.291
Increase (Decrease) of trade payables	632	(416)
Increase (Decrease) of other payables, deferred tax liabilities and tax payables	1.722	(1.012)
Change in working capital	(479)	2.996
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	29.312	34.054
C) CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on fixed assets:		
- intangible	(793)	(1.057)
- tangible	(7.181)	(10.609)
- financial	5	-
Proceeds from disposal of tangible, intangible, available-for-sale financial assets		
- intangible	-	16
- tangible	218	135
Increase (Decrease) of trade payables for assets	(1.106)	(2.385)
NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES	(8.857)	(13.900)
D) CASH FLOW FROM FINANCING ACTIVITIES		
(Increase) Decrease in other non current assets	465	509
(Increase) Decrease in other non current payables	(493)	(491)
Increase (Decrease) in bank payables	13.564	(630)
Repayment of leasing liabilities	(1.717)	(1.407)
Change in reserves	640	101
Dividends distributed	(15.048)	(15.048)
NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES	(2.589)	(16.966)
E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	17.866	3.188
F) Foreign exchange conversion differences	(1.137)	619
G) Discounting of Employee Termination Indemnity	(24)	(22)
H) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (A+E+F+G)	37.688	20.983
Of which: assets held for disposal	-	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	37.688	20.983
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	37.688	20.983
Current financial liabilities	(24.270)	(10.520)
Non current financial liabilities	(5.010)	(4.901)
NET CONSOLIDATED FINANCIAL POSITION	8.408	5.562
INTERESTS PAID IN THE PERIOD	(7)	(10)
BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash	12	14
Bank deposits	37.676	20.969
	37.688	20.983

Consolidated Financial Statements at December 31, 2020

Statement of Changes in the Consolidated Shareholders' Equity

(€ '000)	Balance at December 31, 2019	Allocation of previous year net profit	Other changes	Dividends	Comprehensive income of the period	Balance at December 31, 2020
Capital stock	8.840					8.840
Share premium reserve	12.245					12.245
Legal reserve	1.768					1.768
Reserve for own shares	(5.283)		386			(4.897)
Suspended-tax revaluation reserve	585					585
Other suspended-tax reserves	68					68
Consolidation reserve	23.774	(862)				22.912
Conversion differences	(1.128)	(117)			(1.380)	(2.625)
Extraordinary reserve	89.565	7.621				97.186
Reserve for FTA	3.715					3.715
Reserve for discounting of Employee Termination Indemnity	89				(24)	65
Merger surplus reserve	4.397					4.397
Stock options reserve	101		254			355
Retained earnings	-					-
Net profit	21.690	(6.642)		(15.048)	18.975	18.975
Total Shareholders' Equity	160.426	-	640	(15.048)	17.571	163.589

(€ '000)	Balance at December 31, 2018	Allocation of previous year net profit	Other changes	Dividends	Comprehensive income of the period	Balance at December 31, 2019
Capital stock	8.840					8.840
Share premium reserve	12.245					12.245
Legal reserve	1.768					1.768
Reserve for own shares	(5.283)					(5.283)
Suspended-tax revaluation reserve	585					585
Other suspended-tax reserves	68					68
Consolidation reserve	22.753	1.479			(458)	23.774
Conversion differences	(2.413)				1.285	(1.128)
Extraordinary reserve	83.356	6.209				89.565
Reserve for FTA	3.715					3.715
Reserve for discounting of Employee Termination Indemnity	111				(22)	89
Merger surplus reserve	4.397					4.397
Stock options reserve	-		101			101
Retained earnings	-					-
Net profit	22.736	(7.688)		(15.048)	21.690	21.690
Total Shareholders' Equity	152.878	-	101	(15.048)	22.495	160.426

Notes to the Consolidated Financial Statements at December 31, 2020

I. CORPORATE INFORMATION

Cembre S.p.A. is a joint-stock company with registered office in Brescia, Via Serenissima 9. The company is listed on the MTA (screen-based equities market) managed by Borsa Italiana S.p.A.

Cembre S.p.A. and its subsidiaries (hereinafter referred to jointly as “the Cembre Group” or “the Group”) are active primarily in the manufacturing and sale of electrical connectors and related tools.

The publication of the Consolidated Financial Statements of Cembre for the year ended December 31, 2020 was authorised by a resolution of the Board of Directors dated March 11, 2021.

Cembre S.p.A. is controlled by Lysne S.p.A., a holding company based in Brescia, that does not carry out management and coordination activities.

II. FORM AND CONTENT

The present Consolidated Financial Statements at December 31, 2020 were prepared under the International Financial Reporting Standards (IFRS) adopted by the European Union and the related implementation regulations issued in application of article 9 of Legislative Decree no. 38/2005.

The standards adopted in the preparation of the Financial Statements are those formally approved by the European Union and in force as at December 31, 2020.

The Consolidated Financial Statements were prepared in the expectation of the continuation of the Group’s activities.

With the exception of those items for which international accounting principles provide for a different valuation, the Consolidated Financial Statements were prepared in accordance with the historical cost principle.

The amounts shown in the accounting statements and notes are in thousands of Euro, unless otherwise stated.

The table that follows contains a list of international accounting principles and interpretations approved by the IASB that became effective in 2020, which were taken into account, where applicable, in the preparation of the present Financial Statements.

Amendments to accounting standards	Date of effectiveness set forth by the standard
Amendments to references to the Conceptual Framework in the IFRS Standards	January 1, 2020
Amendments to IFRS 3 - <i>Definition of business</i>	January 1, 2020
Amendments to IAS 1 and IAS 8 - <i>Definition of materiality</i>	January 1, 2020
Amendments to IFRS 16 - Amendments linked to the effects of Covid-19	May 28, 2020

The amendments to IFRS 16 are not applicable, given that the terms of the contracts in place did not undergo any changes as a result of the Covid-19 pandemic.

Standards issued but not yet entered into force

The standards and interpretations that, at the date of drafting of the Group's consolidated financial statements, had already issued but had still not entered into force are outlined below. The Group intends to adopt these standards and interpretations, if applicable, when they enter into force:

New and revised standards	Date of effectiveness set forth by the standard
Amendments to IAS 1 - Classification of liabilities as current and non-current	January 1, 2022
Amendments to IFRS 3, IAS 16, IAS 37	January 1, 2022
Annual updates 2018-2020	January 1, 2022
IFRS 17 – Insurance contracts	January 1, 2023

The Cembre Group reserves the right to evaluate the possible effects of adoption of the other new standards over the next few months.

Principles of consolidation

The Consolidated Financial Statements of the Cembre Group include the statutory accounts at December 31 of every year of Cembre S.p.A. and of its subsidiaries. The financial statements of the subsidiaries used in the consolidation were prepared by adopting, for the close of each financial year, the same accounting standards of the Parent Company.

The financial statements of consolidated subsidiaries are consolidated under the line-by-line method, thus including all items, irrespective of the share held by the Group, of the elimination of intragroup transactions and of unrealised gains on transactions with third parties.

The book value of investments is netted against the related share in the shareholders' equity of consolidated companies, attributing to assets and liabilities the respective current value at the time control was acquired and recording contingent liabilities, where appropriate. Where positive, the residual amount is recorded among non-current assets as goodwill. Negative residual differences are recorded in the Income Statement.

There are no cases in which an investment is lower than 100% and requires the recognition of the portion of profit and equity attributable to third parties.

The scope of consolidation has changed compared to December 31, 2019 following the merger by incorporation into Cembre GmbH, which held the entire capital, of the subsidiaries IKUMA GmbH & Co. KG and IKUMA Verwaltungs GmbH. It took place on July 1, 2020, however with effect from January 1, 2020.

Therefore, the companies consolidated line-by-line are:

Company	Registered office	Share capital	Share held at 12/31/2020	Share held at at 12/31/2019
Cembre Ltd	Sutton Coldfield (Birmingham - UK)	GBP 1,700,000	100%	100%
Cembre Sarl	Morangis (Paris - France)	EURO 1,071,000	100%	100%
Cembre España SLU	Torrejón de Ardoz (Madrid -Spain)	EURO 2,902,000	100%	100%
Cembre GmbH	Munich (Germany)	EURO 10,112,000	100%	100%
Cembre Inc.	Edison (New Jersey, US)	US \$ 1,440,000	100%	100%
IKUMA GmbH & Co. KG	Weinstadt (Germany)	EURO 40,000	-	100% (*)
IKUMA Verwaltungs GmbH	Weinstadt (Germany)	EURO 25,000	-	100% (*)

(*) wholly-owned through Cembre GmbH

Translation of financial statements expressed in currencies other than the euro

The functional and reporting currency of the Group is the euro.

Financial statements denominated in functional currencies other than the euro are translated according to the following criteria:

- assets and liabilities are translated at the exchange rate applicable at the date of the financial statements;
- Income Statement items are translated at the average exchange rate for the year;
- foreign-exchange translation differences are recorded in a specific Shareholders' Equity reserve.

Upon the disposal of an investment in a foreign company, the related cumulative translation adjustments recognised in equity are recorded in the income statement.

Exchange rates applied in the translation of financial statements of subsidiaries are shown in the table below (expressed in currency/€).

Currency	Exchange rate at Dec. 31, 2020	Average exchange rate 2020
British pound	0.89903	0.88970
US dollar	1.22710	1.14219

III. ACCOUNTING STANDARDS AND VALUATION CRITERIA

Presentation of the Financial Statements

The Financial Statements are prepared as follows:

- current and non-current assets and liabilities are reported separately in the Consolidated Statement of Financial Position;
- the analysis of costs in the Statement of Consolidated Comprehensive Income is carried out based on the nature of the same;
- the Consolidated Statement of Cash Flows is prepared by applying the indirect method.

The methods for preparing the Financial Statements have unchanged from previous year.

Finally, with reference to CONSOB Regulation no. 15519 dated July 27, 2006, the Financial Statements include a separate reporting of amounts pertaining to related parties, where significant.

Property, plant and equipment

Property, plant and equipment is recorded at the historical cost and reported net of accumulated depreciation and losses in value.

Ordinary maintenance and repair costs are not capitalised, and are charged to the income statement in the year in which they are incurred, with the exception of those that result in an increase in the useful life of the asset.

Depreciation commences when the asset is available for use and is calculated on a straight line basis over the estimated residual useful life of the asset, taking into account its residual value. Depreciation rates applied reflect the useful life generally attributed to the various classes of assets and are summarised below, with no changes compared to the prior year:

- Buildings and light installations:	from 2% to 10%
- Plant and machinery:	from 5% to 25%
- Industrial and commercial equipment:	from 6% to 25%
- Other assets:	from 6% to 33%.

Land has an undetermined useful life and is therefore not subject to depreciation.

The book value of property, plant and equipment is subjected to an impairment test whenever events or changes occurred indicate that the book value of the same can no longer be retrieved in line with the depreciation schedule originally set. Whenever there exists such an indication and the book value of the asset exceeds its realisable value, the assets or cash generating units are written down to reflect their expected realisable value.

The residual value and useful life of an asset and the accounting methods used are reviewed yearly and adjusted where necessary at the end of each financial year.

Tangible assets are eliminated from the balance sheet at the time of their sale or when there no longer exists the expectation of future economic benefits from their use or disposal.

Losses and gains (calculated as the difference between net revenues from the disposal and the book value of the asset) are recorded in the Income Statement in the year in which they are disposed of.

Leasing

The Group evaluates, when a contract is signed, whether it can be classified as a lease, or:

- whether it confers the right of exclusive use of an asset;
- whether a period is identified in which the right of use can be exercised;
- whether a consideration for use of said right has been set.

The assets identified in this way are recognised at cost, inclusive of all initial direct expenses, and are amortised on a straight-line basis from the date of effectiveness until the end of the useful life of the asset underlying the contract, or, if before, until the expiry of the lease.

At the same time as the recognition under assets of the right of use, the Group books the present value of payments due under lease payables, including the price of any purchase option. The value of the liabilities is reduced due to the payments made and may change depending on changes in the contractual terms.

The discount rate used to determine the value of the liabilities is the incremental borrowing rate.

Leases with a duration of less than or equal to 12 months have been excluded from application of the standard, as have low value leases. The associated fees, therefore, are booked as costs over the duration of the lease.

Investment property

Assets that cease to be used in the context of the Group's ordinary operations but possess all the characteristics set forth in IFRS 5 to be included among non-current assets available for sale, are classified among Investment property and continue to be amortised as if they were still included among Property, plant and equipment, applying the same amortisation rates used for the latter.

Intangible assets

Intangible assets are recorded under assets, as provided by IAS 38 (Intangible assets), whenever it is probable that future economic benefits are generated through use and when the cost of the intangible asset can be determined in a reliable manner.

Intangible assets acquired separately are initially capitalised at cost, while those acquired through business combinations are capitalised at their fair value on the acquisition date.

With the exception of development costs, assets generated internally are not recorded as intangible assets.

After the initial recording, intangible assets are carried in the balance sheet at cost, net of accumulated amortisation calculated on a straight-line basis over their expected useful economic life, and of write-downs carried out as a result of durable losses in value. Intangible assets having an indefinite useful life are not amortised and subjected periodically to an impairment test to assess possible loss in value.

The useful life generally attributed to the various classes of assets is the following, with no changes compared to the prior year:

- concessions and licenses:	5 to 10 years
- software licenses:	3 to 5 years
- patents:	2 years
- development costs:	5 years
- trademarks:	10 to 20 years

Amortisation commences when the asset is available for use, that is, when it is in a position and in the necessary condition to operate in the manner intended by management.

The book value of intangible assets is subjected to an impairment test whenever events or changes occurred indicate that the book value of the same can no longer be retrieved in line with the amortisation schedule originally set.

Whenever there exists such an indication and the book value of the asset exceeds its realisable value, the assets are written-down to their expected realisable value.

Goodwill

Goodwill is calculated as the positive difference between the purchase price of an equity investment, the shareholders' equity of the acquired company and any assets and liabilities recorded at the time of acquisition and not previously present in the financial statements of the latter. Goodwill is an asset with an indefinite useful life and is therefore not amortised. However, it undergoes an impairment test at least once a year and whenever there are signs that indicate a loss in value, in order to compare the book value with the recoverable value, in accordance with IAS 36.

Impairment of goodwill is determined by evaluating the recoverable value of the cash-generating unit (or group of cash-generating units) to which the goodwill refers. Reductions in the value of goodwill cannot be restored in future years.

Financial assets

Financial assets are initially recorded at cost, inclusive of accessory purchase costs, representing the fair value of the price paid. After the initial recording, financial assets are valued in accordance with their final purpose as described below.

Financial assets valued at fair value, whose change is recorded in the Income Statement

These are financial assets held for trading purposes, acquired for the purpose of obtaining a profit from short-term fluctuations in price. Derivatives are classified as financial assets held for trading, unless they are designated as effective hedging instruments.

Investments held to maturity

Financial assets other than derivatives that generate fixed financial flows or flows that may be determined and have a set maturity, are classified as Financial assets held to maturity when the Group intends to and is capable of holding them to maturity.

Financial assets that the Group decides to hold for an indefinite period of time do not fall under this category.

After their initial recording, long-term financial investments held to maturity, such as bonds, are recorded at the amortised cost, using the effective rate of interest method, are discounted to their present value.

The amortised cost is calculated keeping into account discounts and premiums, amortised over the term of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets providing for fixed payments or payments that may be determined, not listed on an active market. These assets are recognised at amortised cost using the actual discount rate method.

Gains and losses are recorded in the Income Statement whenever loans extended and receivables are eliminated from the accounts or they experience losses in value, together with the related amortisation.

Financial assets available for sale

Financial assets available for sale include financial assets that do not fall under the above categories. After initial recognition, these are recorded at fair value, while gains and losses are recorded under a specific Shareholders' Equity reserve until the assets are sold or a loss in value is ascertained. In such case, gains and losses accrued are charged to the Income Statement.

In the case of securities widely traded on a regulated market, the fair value is determined with reference to the listed price at the closing of trading on the date of the financial statements. In the case of financial assets for which there does not exist an active market, the fair value is determined through valuation techniques based on the price recorded in recent transactions between unrelated parties or on the basis of the current market value of a similar instrument, or on discounted cash flows or option pricing models. Investments in other companies fall in this category.

Impairment of financial assets

The Group verifies at least yearly the possible loss in value of individual financial assets. These are recorded only at the time when there exists objective evidence, at the

occurrence of one or more events, that the asset has experienced a loss of value with respect to its initial recorded value.

Treasury shares

Treasury shares are recorded as a reduction of Shareholders' Equity in a specific reserve. The purchase, sale, issue or cancellation of treasury shares held does not determine the recording of any gain or loss in the Income Statement.

Inventories

Inventories are valued at the lower of cost and their expected realisable value, represented by their normal sale price, net of completion and selling costs.

The cost of inventories includes the acquisition cost, the transformation cost and other costs incurred to take inventories to their current location and state.

The method used to determine the cost of inventories is that of the weighted average cost, including the cost of initial inventories. Provisions are calculated for finished products, materials and other supplies considered obsolete or slow-moving, keeping into account their expected useful life and retrievable value.

Receivables and payables

Receivables are recognised at fair value, with simultaneous recognition of a provision for doubtful accounts that takes into account possible losses in value (expected losses), determined based on the prior trend of insolvencies and expected future conditions. Payables are normally valued at the amortised cost, adjusted under exceptional conditions in the event of changes in the conditions.

Cash and cash equivalents

Cash and cash equivalents are recorded at face value.

Loans

Loans are initially recognised at cost, corresponding to the fair value of the amount received, less ancillary costs incurred in connection with the arrangement of loans.

After initial recognition, loans are measured at amortised cost, using the effective interest method.

Translation of amounts denominated in currencies other than the Euro

Transactions denominated in currencies other than the Euro are initially recorded in Euro at the exchange rate at the date of the transaction. Currency translation differences arising at the time at which foreign currency receivables are collected and payables are paid out, are recorded in the income statement.

At the date of the financial statements, monetary assets and liabilities denominated in currencies other than the Euro – consisting of cash on hand or assets and liabilities to be received or paid out, whose amount is set and may be determined – are translated into Euro at the exchange rate at the date of the financial statements, recording in the income statement the currency translation difference.

Non-monetary items denominated in currencies other than the Euro are translated into Euro at the exchange rate at the time of the transaction, representing the historical exchange rate.

Functional currencies adopted by Cembre Group companies correspond to the currencies of the respective country in which subsidiaries are based.

Provisions for risks and charges

Provisions for risks and charges are accrued against known liabilities, whose existence is certain or probable, but whose amount and expiration cannot be determined at the date of the financial statements. Accruals are made when the existence of a current obligation, legal or implicit, deriving from a past event, the fulfilment of which is expected to require the use of resources whose amount can be reliably estimated, is probable.

Provisions are valued at the fair value of liabilities. When the financial effect and the timing of the cash outflow can be estimated in a reliable manner, provisions include the interest component, recorded in the Income Statement among financial income (expense).

Provisions accrued are reviewed at each accounting date and adjusted to bring them into line with the best estimate available to date.

Employee benefits

Under IAS 19, and before the reform introduced by the 2007 Budget Law, the Employee Severance Indemnity was classified among defined benefit plans and was therefore subject to actuarial adjustments.

Employee termination indemnities accrued up to December 31, 2006, continue to be recorded as defined benefit plans, while those accrued from January 1, 2007 are recorded in two different ways:

- where the individual employee has opted for complementary pension funds, employee termination indemnities accrued after January 1, 2007 and until the time at which the choice is made by the employee, are recorded as a defined benefit plan. Subsequently, they are recorded as a defined contribution plan;
- where the individual employee has opted for accumulation with the treasury fund of the national social security agency (INPS), indemnities accrued after January 1, 2007 are recorded as a defined contribution plan.

Share-based payments

The Group records, starting from the grant date, the present value of the rights of exercise of the share purchase option. The allocation occurs periodically, over the entire vesting period set forth in the plan.

The fair value measurement of the options takes account of some actuarial variables according to the method set forth in IFRS 2: the risk-free return curve, the annual volatility of the yield of the Cembre share calculated over the last 3 years, the annual dividend rate, the value of the share price at the grant date.

The allocation is recorded under personnel costs with an undistributable reserve as contra-item called the Stock options reserve.

Elimination of financial assets and liabilities

Financial assets are eliminated when the Group ceases to hold rights to receive financial flows deriving from the same or when such rights are transferred to another entity, that is when risks and benefits of the financial instrument cease to have an effect on the financial position and operating performance of the Group.

A financial liability is eliminated only when the obligation included in it is cancelled, fulfilled or expired.

Any material change in the contractual terms relating to the liability result in its cancellation and in the recording of a new liability.

Any difference between the book value and the amount paid to extinguish the liability is recorded in the Income Statement.

Loss in value of non-financial assets

The Group verifies at least yearly the possible loss in value of individual assets. In such case, or in cases in which an annual assessment of impairment is required, the Group estimates the recoverable value. If an asset's book value is higher than its recoverable value, the asset has undergone impairment and is consequently written down to return it to its recoverable value.

In determining the recoverable value, the Group discounts estimated future cash flows using a pre-tax discount rate, which reflects the market assessments of the present value of money and the risks specific to the asset.

Impairment losses on continuing operations are recognised in the Income Statement in cost categories consistent with the intended use of the asset that underwent impairment.

Previously revalued fixed assets are an exception to this, if the revaluation was recognised among the other items of the Comprehensive Income Statement. In such cases, the impairment is in turn recognised among the other items of the Comprehensive Income Statement up to the amount of the prior revaluation.

As at the reporting date, the Group assesses the existence of any indicators of loss (or reduction) of previously recognised impairment and, should such indicators exist, estimates the recoverable value of the asset or of the CGU. Said recovery is recognised in the Income Statement, unless the fixed asset has been recorded at the revalued amount, in which case the recovery is treated as an increase in revaluation.

Revenues

Revenues are valued at the current value of the amount received or receivable.

Disposal of assets

The revenue is recognised when the Company has transferred the risks and benefits connected with the ownership of the good, and ceases to exercise the activity associated with ownership and the actual control over the asset sold.

Services rendered

Revenues are recorded based on the stage of completion of the operation at the date of the financial statements.

When the result of the performance of services cannot be reliably estimated, the revenues must be recognised only to the extent that the costs recognised will be recoverable.

The stage of completion is determined by valuing work carried out or by determining the proportion between costs incurred and total estimated costs to completion.

Interest

Interest is recognised on an accrual basis using the effective interest method.

Dividends

They are recognised when the right of the shareholders to receive payment arises.

Grants

Grants are recorded at fair value when there exists a reasonable certainty that that the same will actually be received and the Company meets the conditions for the entitlement to the grant.

Grants linked to cost components (operating grants) are recorded under “other revenues” and amortised over several years so that revenues match the costs they are intended to compensate.

The fair value of grants linked to assets (e.g. grants on the purchase of plant and equipment or grants for capitalised development costs), is suspended under long-term liabilities and released to the income statement under “other revenues and income” over the useful life of the asset to which it relates, thus in the period over which the depreciation expense relating to the asset is charged to the income statement.

Financial charges

Financial charges are recorded as a cost in the period in which they accrue. In accordance with IAS 23, financial charges incurred in the acquisition of significant assets (qualifying assets) are capitalised.

Cost of goods purchased and services received

They are recognised in the Income Statement according to the accrual principle.

Income taxes (current, prepaid and deferred)

Current taxes are determined based on a realistic estimate of the tax expense for the period in accordance with applicable tax regulations in the respective countries.

The Group records deferred and prepaid taxes arising from temporary differences between the book value of assets and liabilities and the related values reported for tax purposes, in addition to differences in the value of assets and liabilities generated by consolidation adjustments.

Prepaid taxes are recorded only where there exists reasonable certainty of their retrieval through future profits within the term in which tax benefits are enjoyed.

Deferred tax assets are recorded also where there exist deductible losses or tax credits, whenever it is deemed probable that sufficient future profits will be generated in the medium-term (3 to 5 years).

Earning per share

Earnings per share are calculated by dividing consolidated net profit by the weighted average number of shares in circulation for the period.

Use of estimates

In accordance with IAS/IFRS, the Group made use of estimates and assumptions based on prior experience and other factors deemed determinant, but not certain. Actual data could therefore differ from estimates and projections made.

Estimated data is reviewed periodically and adjustments made to the same are taken to the Income Statement for the period in which the review takes place in case the review affect only one period, or, subsequent accounting periods in case it affects also the same. Below we describe review processes and key assumptions used by management in applying accounting standards.

Provision for inventory depreciation

The provision for inventory depreciation is accrued to bring the book value of inventories into line with their expected realisable value.

Management reviews the composition of inventories with particular reference to slow moving stock to determine the amount to be accrued prudentially to reflect the obsolescence of stocks.

Provision for doubtful accounts

The provision for doubtful accounts reflects management estimates regarding losses on trade receivables.

Losses on trade receivables expected by the Group are based on past experience on similar portfolios of receivables, current past due amounts vs. historical past due amounts, losses and collections, the close monitoring of credit quality, in addition to projections on economic and market conditions.

Retrievable value of non-current assets

Non-current assets include property, plant and equipment, intangible assets, goodwill and other financial assets.

Whenever circumstances so require, the management reviews periodically the book value of non-current assets held and used by the Group, in addition to assets to be disposed of. Such activity is carried out using estimates of expected cash flows from the sale of the asset and of adequate discount rates used in calculating the present value of the same.

Whenever the book value of a non-current asset experiences a loss in value, the Group records a write-down equal to the difference between the book value of the asset and its retrievable value either through use or disposal of the same.

Post-retirement benefits

In the estimation of post-retirement benefits the Group makes use of traditional actuarial techniques based on stochastic simulations of the “Monte Carlo” type. Assumptions made relate to the discount rate and the annual inflation rate. Actuarial advisors of the Group make also use of demographic projections based on current mortality rates, employee disablement and resignation rates observed in Parent Company Cembre S.p.A..

In 2020, based on past turnover experience, the probability of a Cembre S.p.A.’s employees terminating their employment for causes other than death is the following:

Male	6.18%
Female	4.46%

The following assumptions were adopted with regard to the discounting rate and annual inflation rate:

Annual technical discounting rate	0.35%
Annual inflation rate	1.00%

Expected advances to be paid out are 5% per year and each advance corresponds to 70% of the accrued indemnity.

Recoverability of deferred tax assets

The Group evaluates the possibility to recover deferred tax assets on the basis of profits and expected future market conditions in view of current sale contracts and ability of expected future profits to offset tax credits, in addition to the expected variance of the same and based on expected results.

Contingent liabilities

In carrying out its activity, management consults with its legal and tax advisors and experts. The Group ascertains a liability arising from litigation whenever it deems probable that a financial outlay will be made in the future and when the amount of resulting losses can be reasonably estimated. In case a financial outlay becomes possible but its amount cannot be determined, such occurrence is reported in the notes.

IV. SEGMENT INFORMATION

IFRS 8 requires segment information to be supplied using the same elements on which management bases internal reporting.

The Cembre Group adopted as its primary reporting focus information by geographical area based on the location in which the operations of the Company are based or the production process takes place. As the Cembre Group operates in a single segment denominated “Electric connectors and related tools”, items based on this element are not usually utilized for the purposes of internal reporting.

2020	ITALY	EUROPE	REST OF WORLD	Intragroup elimination	TOTAL
Revenues					
Sales to customers	73,578	52,939	10,620		137,137
Sales to other Group	27,831	1,789	43	(29,663)	-
Revenues by sector	101,409	54,728	10,663	(29,663)	137,137
Operating result by sector	21,385	3,208	607		25,200
Costs/income not assigned					-
Operating profit					25,200
Net financial losses					(298)
Income taxes					(5,927)
Net result for the year					18,975

2019	ITALY	EUROPE	REST OF WORLD	Intragroup elimination	TOTAL
Revenues					
Sales to customers	76,916	56,843	12,537		146,296
Sales to other Group	31,893	2,257	35	(34,185)	-
Revenues by sector	108,809	59,100	12,572	(34,185)	146,296
Operating result by sector	21,560	4,743	878		27,181
Costs/income not assigned					-
Operating profit					27,181
Net financial losses					(244)
Income taxes					(5,247)
Net result for the year					21,690

As the distribution of sales by geographical area is different from that of the related Group activities, a breakdown of sales by geographical area of customers is shown below.

	2020	2019
Italy	55,955	58,469
Europe	64,050	68,757
Rest of the world	17,132	19,070
	137,137	146,296

The breakdown of assets and liabilities is shown below:

12/31/2020	ITALY	EUROPE	REST OF WORLD	TOTAL
Assets and Liabilities				
Segment assets	163,894	50,590	10,064	224,548
Consolidation adjustments				(3,644)
Total assets				220,904
Segment liabilities	47,138	8,605	1,764	57,507
Consolidation adjustments				(192)
Total liabilities				57,315
Capital expenditure:				
- Property, plant and equipment	5,838	910	433	7,181
- Intangible assets	790	1	1	792
Total investments				7,973
Depreciation and amortisation:				
- Property, plant and equipment	(7,477)	(788)	(142)	(8,407)
- Intangible assets	(585)	(254)	(3)	(842)
- leased assets	(960)	(520)	(245)	(1,725)
Total amortisation				(10,974)
Write-downs	(123)	-	-	(123)
Accruals to provision for employee benefits	(900)	-	-	(900)
Average no. of employees	486	233	34	753

12/31/2019	ITALY	EUROPE	REST OF WORLD	TOTAL
Assets and Liabilities				
Segment assets	149,552	42,142	9,571	201,265
Consolidation adjustments				2,053
Total assets				203,318
Segment liabilities	34,511	9,728	925	45,164
Consolidation adjustments				(2,272)
Total liabilities				42,892
Capital expenditure:				
- Property, plant and equipment	(6,779)	(738)	(96)	(7,613)
- Intangible assets	(601)	(250)	(5)	(856)
Total investments				8,469
Depreciation and amortisation:				
- Property, plant and equipment	(6,779)	(738)	(96)	(7,613)
- Intangible assets	(601)	(250)	(5)	(856)
- leased assets	(850)	(378)	(220)	(1,448)
Total amortisation				(9,917)
Accruals to provision for employee benefits	(900)	(93)	-	(993)
Average no. of employees	485	226	33	744

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and Machinery	Equipment	Other assets	Work in progress	Total
Historical cost	51,552	78,585	13,054	9,787	1,935	154,913
FTA Revaluation	5,921	-	-	-	-	5,921
Revaluations for tax purposes	934	43	-	-	-	977
Accumulated amortisation	(14,523)	(44,728)	(9,324)	(6,806)	-	(75,381)
Balance at 12/31/2019	43,884	33,900	3,730	2,981	1,935	86,430
Increases	1,183	2,907	481	1,089	1,521	7,181
Currency translation differences	(129)	(79)	-	(34)	-	(242)
Amortisation	(1,226)	(5,437)	(730)	(968)	-	(8,361)
Net divestments	(3)	(61)	-	(22)	(42)	(128)
Reclassifications	370	411	38	24	(843)	-
Balance at 12/31/2020	44,079	31,641	3,519	3,070	2,571	84,880

	Land and buildings	Plant and Machinery	Equipment	Other assets	Work in progress	Total
Historical cost	49,851	70,512	12,952	8,613	3,482	145,410
FTA Revaluation	5,921	-	-	-	-	5,921
Revaluations for tax purposes	934	43	-	-	-	977
Accumulated amortisation	(13,305)	(40,698)	(9,026)	(5,985)	-	(69,014)
Balance at 12/31/ 2018	43,401	29,857	3,926	2,589	3,482	83,294
Increases	1,322	6,385	374	1,038	1,490	10,609
Currency translation differences	120	68	-	20	-	208
Amortisation	(1,174)	(4,880)	(714)	(798)	-	(7,566)
Net divestments	-	(43)	(2)	(37)	(33)	(115)
Reclassifications	215	2,513	146	130	(3,004)	-
Balance at 12/31/2019	43,884	33,900	3,730	2,981	1,935	86,430

It is specified that FTA revaluation (where FTA stands for first-time application), means the revaluation applied upon first-time application of the international accounting standards in 2005.

The Group's capital expenditure in 2020 amounted to €7,181 thousand, related primarily to the Parent Company.

Investments in buildings were largely (€949 thousand) dedicated to the renovation of the historic building of the Brescia headquarters and the construction of the new canteen. Expenditure on plants amounted to €722 thousand and consisted mostly of the

renovation of the Brescia headquarters (€339 thousand), while investment in production machinery amounted to €1,569 thousand. Advances were paid for assets that will be delivered in 2021 for €834 thousand, while €687 thousand was invested by the Parent Company for the manufacturing of dies and equipment still in progress.

Investments made by foreign subsidiaries include €806 thousand spent by Cembre Ltd., mainly in machinery and vehicles for the transport of goods.

The American subsidiary Cembre Inc. invested €432 thousand for the set-up of the plants and for the purchase of warehouse and office materials necessary to adapt the new headquarters to operational needs.

2. INVESTMENT PROPERTY

	Land and buildings	Plant and Machinery	Other assets	Total
Historical cost	1,714	263	5	1,982
Accumulated amortisation	(695)	(258)	(5)	(958)
Balance at 12/31/2019	1,019	5	-	1,024
Amortisation	(44)	(2)	-	(46)
Write-downs	(123)	-	-	(123)
Balance at 12/31/2020	852	3	-	855

At December 31, 2020, the item includes only the Calcinate property; following a specific evaluation, this asset was written down by €123 thousand.

3. INTANGIBLE ASSETS

	Development costs	Patents	Software	Trademarks	Other	Work in progress	Total
Historical cost	2,264	775	6,195	495	2,043	156	11,928
Accumulated amortisation	(1,671)	(700)	(4,633)	(83)	(399)	-	(7,486)
Balance at 12/31/2019	593	75	1,562	412	1,644	156	4,442
Increases	428	83	217	-	-	65	793
Currency translation differences	-	-	(2)	-	-	-	(2)
Amortisation	(212)	(72)	(308)	(49)	(201)	-	(842)
Reclassifications	-	-	13	-	-	(12)	1
Balance at 12/31/2020	809	86	1,482	363	1,443	209	4,392

Intangible fixed assets refer almost entirely to the Parent Company Cembre S.p.A..

Software increases mainly refer to upgrades of programs already in use. Assets in progress

include, exclusively, advances paid for new software. With regard to Development costs, reference should be made to the Directors' Report on Operations.

4. GOODWILL

	12/31/2020	12/31/2019	Change
Goodwill	4,608	4,608	-

In May 2018, the German company Cembre GmbH acquired the entire capital of the compatriot IKUMA, identifying, after allocating the amount paid for the acquisition, a residual goodwill value of €4,608 thousand. In the first half of 2020, a reorganisation was completed of the distribution networks, logistics and administrative and commercial services of both the aforementioned companies, which resulted in significant integration of the two companies. As a result of this restructuring and close integration, the merger by incorporation of IKUMA in Cembre GmbH was resolved, endorsed on July 1, 2020, effective retroactively to January 1, 2020.

With reference to the date of December 31, 2020, an adequacy analysis (or impairment test) was carried out concerning the goodwill recognised in the consolidated financial statements of Cembre. This goodwill congruity analysis was carried out by taking as reference, as the smallest cash generating unit (CGU) associated with the goodwill under analysis, the net invested capital of the CGU Germany (currently coinciding with Cembre GmbH) recognised in the consolidated financial statements of Cembre.

The estimate of recoverable value was made by using the discounted cash flow method in its unlevered version, applied to the 2021-2024 economic and financial plan of the CGU Germany identified.

The analysis produced the following results:

	Recoverable value	Book value	Difference
CGU Germany	16,120	14,566	1,554

Therefore, there was no need to adjust the value of goodwill, recorded in the CGU Germany for €4,608 thousand.

The WACC, namely the weighted average cost of capital, used to measure the cash flows was determined as equal to 6.59 (7.69% in 2019), while the long-term growth rate G was assumed to be equal to 1.2% (1.6% in 2019).

To determine the values of the financial plan to be used to carry out the impairment test, three scenarios were hypothesised: a standard scenario, which represents a normal evolution of the activities of the CGU Germany, a worse scenario, referred to as worst, which represents an evolution in sales below expectations and an improvement scenario, referred to as best, which instead foreshadows growth above expectations. The results thus obtained were weighted on the basis of the probability of realisation, determining an average value used for the analysis.

As shown in the table above, the book value was fully consistent with the recoverable value.

In consideration of the fact that a multi-scenario analysis was used to determine the values of the financial plan, a sensitivity analysis is not presented. However, it was preferred to verify the sustainability of the value of goodwill through the exclusive use of the data of the worst scenario. Equally, no write-down of goodwill is necessary for such analysis.

5. RIGHT OF USE ASSETS

	Buildings	Motor vehicles	Total
Historical cost	6,140	1,679	7,819
Accumulated amortisation	(939)	(514)	(1,453)
Balance at 12/31/2019	5,201	1,165	6,366
Increases	1,603	890	2,493
Currency translation differences	(89)	1	(88)
Amortisation	(997)	(728)	(1,725)
Net divestments	(360)	(33)	(393)
Balance at 12/31/2020	5,358	1,295	6,653

Net disinvestments refer to the termination of the lease contract of the American subsidiary Cembre Inc. At the same time, a new contract was opened, hence the increase in the right of use of buildings.

6. OTHER NON-CURRENT ASSETS

	12/31/2020	12/31/2019	Change
Guarantee deposits	52	24	28
Guarantee loan	496	989	(493)
Total	548	1,013	(465)

The item "Guarantee loan" includes the discounted value of the non-current portion of the sum deposited with the notary public upon acquisition of IKUMA KG. This amount was deposited in order to cover the debt to the Company's sales personnel and administrators, recognised under "Other non-current debt", the payment of which is linked to compliance with certain contractual clauses effective in future years. The actuarial effect of this sum amounts to €4 thousand as at December 31, 2020.

7. INVENTORIES

	12/31/2020	12/31/2019	Change
Raw materials	12,213	12,432	(219)
Work in progress and semi-finished goods	13,349	12,697	652
Finished goods	24,873	25,699	(826)
Total	50,435	50,828	(393)

The value of finished goods is adjusted to its presumed realisable value through a provision for slow-moving stock amounting to €4,748 thousand. Changes in the provision in 2020 are shown in the table that follows:

	2020	2019
Balance at January 1	4,539	3,996
Accruals	558	497
Uses	(161)	-
Releases	(50)	-
Currency translation differences	(138)	46
Balance at December 31	4,748	4,539

Accruals primarily regarded inventories of Cembre Inc. for €216 thousand and Cembre S.p.A. for €203 thousand.

8. TRADE RECEIVABLES

	12/31/2020	12/31/2019	Change
Nominal receivables due from customers	26,256	22,757	3,499
Provision for doubtful accounts	(457)	(473)	16
Total	25,799	22,284	3,515

Nominal trade receivables by geographical area are shown in the following table.

	12/31/2020	12/31/2019	Change
Italy	13,782	10,648	3,134
Europe	10,757	10,460	297
North America	1,049	1,203	(154)
Oceania	265	133	132
Middle East	82	82	-
Far East	167	151	16
Africa	154	80	74
Total	26,256	22,757	3,499

Average collection time increased from 52 days in 2019 to 62 days in 2020.

Changes in the provision for doubtful accounts are shown in the table that follows:

	2020	2019
Balance at January 1	473	557
Accruals	94	25
Uses	(101)	(41)
Releases	(7)	(69)
Currency translation differences	(2)	1
Balance at December 31	457	473

The breakdown of receivables by maturity at December 31 was as follows:

Year	Not matured	0-90 days	91-180 days	181-365 days	Over one year	Under litigation	Total
2020	23,338	2,467	201	43	136	71	26,256
2019	19,011	3,029	387	75	181	74	22,757

9. TAX RECEIVABLES

	12/31/2020	12/31/2019	Change
Tax receivables	577	843	(266)

The item mainly includes tax receivables relating to Cembre GmbH for €454 thousand. In 2019, the item mainly included receivables for tax prepaid in excess.

10. OTHER ASSETS

	12/31/2020	12/31/2019	Change
Receivables from employees	67	60	7
VAT and other indirect taxes receivable	3	75	(72)
Advances to suppliers	745	456	289
Other	760	805	(45)
Total	1,575	1,396	179

The residual item “Other” includes the value of the current portion of the sum deposited with the notary public upon acquisition of IKUMA KG, amounting to €498 thousand, as guarantee for the amount due to the former IKUMA directors, details of which are provided in Note 18.

11. SHAREHOLDERS’ EQUITY

The capital stock of the Parent Company amounts to €8,840 thousand, and is made up of 17 million ordinary shares with a par value of €0.52 each, fully subscribed and paid-up.

At December 31, 2020, Cembre S.p.A. held 258,041 treasury shares, corresponding to 1.52% of its capital stock. Against these shares the Company recorded €4,897 thousand in a specific equity reserve under liabilities.

On the fiftieth anniversary of the foundation of the company, the Shareholders’ Meeting approved an incentive plan targeted at Company executives and middle managers, which provides for the annual assignment of rights to purchase ordinary Cembre S.p.A. shares and will last until 2025. Following the adoption of this plan, in compliance with the provisions of IFRS 2, in 2019, a Stock Options Reserve was recognised, representative of the debt to beneficiaries of the plan itself, assuming the attainment of the performance targets established and continuity of the work relationship. At December 31, 2020, this reserve amounted to €375 thousand, marking an increase of €254 thousand in the year. Said increase was booked in the Income Statement under other personnel costs. Please refer to Note 34 for further details.

A reconciliation between the Shareholders’ Equity and net profit of the Parent Company and the Consolidated Shareholders’ Equity and net profit is provided in the Report on Operations.

Changes in individual components of the Consolidated Shareholders’ Equity are shown in the “Statement of Changes in the Consolidated Shareholders’ Equity” included in the Consolidated Financial Statements.

It is noted that, upon first-time application of the international accounting standards, Cembre S.p.A. chose to use the average cost as the method for valuing inventories. This

standard had already been applied previously at Group level. For this reason, the consolidated "Reserve for first-time application of IAS/IFRS" differs from that included in the shareholders' equity of the Parent Company for €336 thousand.

The "Consolidation reserve" included in the "Statement of changes in consolidated shareholders' equity" consists of the following adjustments:

	12/31/2020	12/31/2019
Elimination of investments in subsidiaries	26,041	22,791
Elimination of unrealised intra-group profits in stock	(4,554)	(3,939)
German subsidiary product warranty provision reversal	23	22
Cancellation of dividends	1,363	4,909
Intragroup reconciliations and gains	39	(9)
Total	22,912	23,774

12. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

	Effective interest rate %	Term ending	12/31/2020	12/31/2019
Leasing liabilities - Non-current portion				
Cembre S.p.A.			2,746	3,348
Cembre Ltd.			802	800
Cembre Sarl			45	55
Cembre España SLU			56	8
Cembre GmbH			130	183
Cembre Inc.			1,231	507
Total non-current portion			5,010	4,901
NON-CURRENT FINANCIAL LIABILITIES			5,010	4,901

	Effective interest rate %	Term ending	12/31/2020	12/31/2019
Bank loans				
Cembre S.p.A.				
<i>Current portion</i>				
Banca Intesa contract 68407	0.05	Apr-20	-	1,000
Unicredit contract 53429	0.18	Feb-20	-	1,000
Unicredit contract 53452	0.18	Feb-20	-	1,000
Unicredit contract 53454	0.18	Mar-20	-	1,000
BNL contract 98375	0.05	Sept-20	-	5,000
Banca Intesa contract 11320	0.03	Sept-21	3,600	-
Unicredit contract 47122	0.01	Jan-21	4,000	-
BNL contract 76900	0.01	Oct-21	5,000	-
BNL contract 38656	0.01	Mar-21	10,000	-
Total current portion			22,600	9,000

Bank overdrafts (on presentation of customer bills)				
Cembre S.p.A.	0.2	On request		
Unicredit			-	31
Total			-	31
Bank charges			1	6
Leasing liabilities - Current portion				
Cembre S.p.A.			892	868
Cembre Ltd.			156	142
Cembre Sarl			82	82
Cembre España SLU			41	41
Cembre GmbH			210	148
Cembre Inc.			288	202
Total current portion			1,669	1,483
CURRENT FINANCIAL LIABILITIES			24,270	10,520

It is noted that the loan contract expiring in January 2021 was extended until January 2022.

13. EMPLOYEE TERMINATION INDEMNITY AND OTHER RETIREMENT BENEFITS

The item includes the Employee Severance Indemnity accrued for employees of the Italian company. Special retirement benefits, due in accordance with French regulations to persons employed in France at the time of retirement, are also included in the provision.

Employee termination indemnities accrued at December 31, 2020 was discounted on the basis of an evaluation made by a registered actuary.

	2020	2019
Opening balance	2,356	2,557
Accruals	900	992
Uses	(631)	(875)
Social security (INPS) treasury provision	(493)	(382)
Actuarial effect	46	64
Closing balance	2,178	2,356

Total termination indemnities accrued with INPS' treasury account as at December 31, 2020 amounted to €7,843 thousand.

14. PROVISIONS FOR RISKS AND CHARGES

Changes in the year are shown in the table below:

	Supplementary customer allowances	Directors' variable compensation	Employee incentives	Legal disputes	Total
At December 31, 2019	178	100	-	-	278
Accruals	22	-	49	21	92
Use	(5)	-	-	-	(5)
Releases	-	(100)	-	-	(100)
At December 31, 2020	195	-	49	21	265

The release of the variable remuneration of the Chairman and Managing Director is due to the non-achievement of the objectives set for the period 2018-2020 by the Board of Directors.

The provision for employee benefits includes amounts accrued for sales personnel that will be paid out upon the achievement of performance objectives set in the sales development plan defined by the Company.

15. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities at December 31, 2020 are summarised as follows:

	12/31/2020	12/31/2019
Deferred tax assets		
Elimination of unrealised intra-group profits in stock	1,371	1,766
Write-down of inventories	582	633
Provision for French personnel costs	100	121
Consulting capitalised by Cembre GmbH	124	127
Provision for doubtful accounts of the Parent Company	88	84
Differences on amortisation and depreciation of Parent Company	265	245
Discounting of employee termination indemnity	52	-
Write-down of Calcinate property	34	-
Other	273	115
Gross deferred tax assets	2,889	3,091
Deferred tax liabilities		
Average cost valuation of inventories by the Parent Company	(341)	(384)
Accelerated depreciation	(292)	(208)
Elimination of German subsidiary product warranty provision	(9)	(10)
Reversal of land depreciation	(24)	(24)
Revaluation of land	(1,652)	(1,652)
Discounting of employee termination indemnity	-	41
Discounting of the Cembre GmbH guarantee loan	(2)	(4)
Allocation of IKUMA investment purchase price	(541)	(615)

Reversal of amortisation of non-competition agreement of former IKUMA directors	(75)	-
Dividends not collected	(2)	-
Gross deferred tax liabilities	(2,938)	(2,856)
Net deferred tax assets (liabilities)	(49)	235

16. OTHER NON-CURRENT PAYABLES

	12/31/2020	12/31/2019	Change
Payable to IKUMA Directors	496	989	(493)

The item includes the discounted value of the non-current portion, not yet paid, of the non-competition bonus envisaged by the IKUMA purchase contract.

17. TRADE PAYABLES

	12/31/2020	12/31/2019	Change
Trade payables	11,408	11,953	(545)
Advances	180	109	71
Total	11,588	12,062	(474)

Trade payables by geographical area, in thousands of Euro, are disclosed here below.

	12/31/2020	12/31/2019	Change
Italy	9,302	10,118	(816)
Europe	2,080	1,794	286
North America	16	17	(1)
Other	10	24	(14)
Total	11,408	11,953	(545)

18. OTHER PAYABLES

The item "Other payables" may be broken down as follows:

	12/31/2020	12/31/2019	Change
Payables to employees	2,533	2,376	157
Employee withholding taxes payable	1,003	1,112	(109)
VAT and similar foreign taxes payable	799	900	(101)
Commissions payable	358	382	(24)
Payable to Statutory Auditors and similar foreign	44	31	13
Payables to Directors	22	22	-
Social security payables	2,581	2,770	(189)
Payables for sundry taxes	107	162	(55)
Payables to former IKUMA directors	498	498	-
Payables for legal disputes	655	-	655
Other	797	515	282
Deferrals	(171)	(147)	(24)
Total	9,226	8,621	605

The item "Payables to former IKUMA directors" includes the value of the current portion of the non-competition bonus provided for in the purchase contract, to be paid in May 2021.

The payable for legal disputes arose following an out-of-court agreement with an English customer, relating to the malfunctioning of a product developed specifically at its request.

19. REVENUE FROM CONTRACTS WITH CUSTOMERS

In 2020, revenues decreased by 6.3% compared to the previous year. A total of 40.8% of Group sales were represented by Italy (down 4.3% compared to 2019), while sales in the rest of Europe represented 46.7% of total sales (down 6.9% compared to the previous year). Sales to the rest of the World decreased by 10.2%, representing 12.5% of total sales. Further detail is provided in the Report on Operations.

20. OTHER REVENUES AND INCOME

The breakdown of the item "Other revenues" and income is as follows:

	2020	2019	Change
Capital gains	36	78	(42)
Use and release of funds	7	48	(41)
Insurance damages	155	58	97
Reimbursements	285	456	(171)
Other	157	105	52
Operating grants	153	282	(129)
Total	793	1,027	(234)

Reimbursements relate primarily to transport costs charged to customers. In relation to operating grants, it should be specified, pursuant to art. 1, paragraph 125, of Law 124/2017 (Compliance with transparency and disclosure obligations), in 2020, grants amounting to €28 thousand were obtained from the "Fondo Formazienda" fund for training courses provided to Parent Company personnel and grants of €124 thousand were obtained from the European Union for participation in the European Sharework Project, for the creation of a system of interaction between operators and robots in the production process, in which Cembre participates in collaboration with another 14 international partners (7 companies, 6 research institutes, 1 standardisation body).

21. COST OF SERVICES

The item “Costs for services” is broken down as follows:

	2020	2019	Change
Subcontracted work	3,042	4,078	(1,036)
Electricity, heating and water	1,660	1,735	(75)
Transport of goods sold	2,440	2,569	(129)
Fuel	378	539	(161)
Travelling expenses	557	1,155	(598)
Maintenance and repair	2,002	2,243	(241)
Consulting	1,862	1,741	121
Advertising and promotion	146	581	(435)
Insurance	684	699	(15)
Boards' compensation	668	1,036	(368)
Postage and telephone	387	394	(7)
Commissions	875	977	(102)
Security and cleaning	713	609	104
Bank services	166	200	(34)
Other	1,423	1,707	(284)
Total	17,003	20,263	(3,260)

The residual item “Other” mainly includes the costs for the annual fees for software licenses equal to €728 thousand, as well as costs for personnel recruitment equal to €295 thousand.

22. LEASES AND RENTALS

The item is broken down as follows:

	2020	2019	Change
Rent and related costs	7	15	(8)
Vehicle and other leasing	106	248	(142)
Total	113	263	(150)

The amounts represent the residual portion linked to temporary and short-term extensions of contracts and ancillary costs not falling within the application of IFRS16. We report that the Group has not benefited from suspensions of lease contracts related to the pandemic.

23. PERSONNEL COSTS

Personnel costs are broken down as follows:

	2020	2019	Change
Wages and salaries	31,111	31,945	(834)
Social security contributions	7,661	7,780	(119)
Employee termination indemnity	1,307	1,257	50
Retirement benefits	198	305	(107)
Other costs	1,184	406	778
Total	41,461	41,693	(232)

Wages and salaries include €1,441 thousand relating to the cost of personnel on short-term contracts, mainly incurred by the Parent Company (€1,372 thousand).

The increase in the item "Other costs" is related to the provision in the Reserve for stock options, referred to in Note 11, equal to €489 thousand (€101 thousand in 2019). It is also noted that, in 2019, the item included the release of the "Provision for personnel incentives", which had produced a positive component equal to €401 thousand.

Average number of employees by category:

	2020	2019	Change
Managers	20	16	4
White collars	377	358	19
Blue collars	324	335	(11)
Outsourced personnel	32	35	(3)
Total	753	744	9

Average number of employees by Group company:

	Managers	White collars	Blue collars	Short-term personnel	Total 2020	Total 2019	Change
Cembre S.p.A.	8	218	229	31	486	485	1
Cembre Ltd.	3	44	57	-	104	108	(4)
Cembre Sarl	1	23	6	-	30	27	3
Cembre España SLU	1	31	10	1	43	44	(1)
Cembre Inc.	3	25	6	-	34	33	1
Cembre GmbH	4	36	16	-	56	47	9
Total	20	377	324	32	753	744	9

24. OTHER OPERATING COSTS

The item is broken down as follows:

	2020	2019	Change
Sundry taxes	769	759	10
Losses on receivables	220	53	167
Capital losses	68	60	8
Donations	106	35	71

Legal disputes	838	-	838
Other	576	721	(145)
Total	2,577	1,628	949

The item "Other" consists primarily of sundry expenses of the Parent Company for the production departments.

25. ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES

The item is broken down as follows:

	2020	2019	Change
Customer indemnities	22	23	(1)
Legal disputes	21	-	21
Total	43	23	20

26. FINANCIAL INCOME (EXPENSE)

	2020	2019	Change
Interest earned on bank account balances	7	5	2
Other financial income	-	2	(2)
Total financial income	7	7	-
Loans and bank overdrafts	(7)	(10)	3
Financial charges on discounting of Employee Termination Indemnity	(15)	(35)	20
Lease financial charges	(105)	(125)	20
Other financial charges	(7)	-	(7)
Total financial charges	(134)	(170)	36
Total financial income (expense)	(127)	(163)	36

27. INCOME TAXES

Income taxes are composed as follows:

	2020	2019	Change
Current taxes	(6,014)	(7,515)	1,501
Deferred taxes	(286)	321	(607)
Patent Box Benefit	-	1,744	(1,744)
Extraordinary income	373	203	170
Total	(5,927)	(5,247)	(680)

Cembre S.p.A. submitted a request to the Revenue Agency for the renewal of the agreement concerning the application of the "Patent box" regime for the period 2020-2024. Said request was declared admissible. However, as of the date of this document, it is not possible to establish the outcome and the date of conclusion of this negotiation.

The table that follows shows a reconciliation between the theoretical tax expense, calculated at the normal tax rate of the Parent Company (Corporate (IRES) + Regional Tax on Productive Activities (IRAP) = 27.9%), and the actual tax expense recorded in the consolidated accounts.

	2020		2019	
	Amount	%	Amount	%
Profit before taxes	24,901		26,937	
Theoretical tax expense	6,948	27.90%	7,516	27.90%
Effect of non-deductible charges	1,213	4.87%	2,121	7.87%
Effect of untaxed income and deductions	(1,535)	-6.16%	(1,913)	-7.10%
Effect of different taxable IRAP	161	0.65%	(276)	-1.02%
Other deductions	(388)	-1.56%	(8)	-0.03%
Patent Box	-	0.00%	(1,744)	-6.47%
Extraordinary income	(69)	-0.28%	(203)	-0.75%
Effect of other foreign tax rates	(403)	-1.62%	(246)	-0.91%
Total income taxes in the financial	5,927	23.80%	5,247	19.48%

At December 31, 2020, there are no temporary differences and accrued past tax losses regarding which no prepaid and/or deferred taxes have been recognised.

Deferred tax assets and liabilities are made up as follows:

	2020	2019
Elimination of unrealised intra-group profits in stock	(395)	242
Provision for doubtful accounts of the Parent Company	4	(4)
Discounting of the Cembre GmbH guarantee loan	2	3
Average cost valuation of inventories by the Parent Company	43	(58)
Accelerated depreciation	(84)	(44)
Write-down of inventories	(51)	116
Discounting of employee termination indemnity	4	8
Provision for French personnel costs	(21)	22
Differences on amortisation and depreciation of Parent Company	20	40
Allocation of IKUMA investment purchase price	74	74
Write-down of Calcinate property	34	-
Dividends not collected	(2)	-
Other	159	(78)
Prepaid/deferred taxes for the period	(286)	321

28. COMPREHENSIVE INCOME

The Cembre Group uses a single table to report its comprehensive income. In particular, the economic effects recorded directly under Shareholders' Equity are reported separately and result in an increase or decrease of net profit for the period. At December

31, 2020, the changes relate only to foreign exchange translation differences arising upon consolidation on the translation into Euro of the financial statements of subsidiaries operating outside the Euro zone, to the effect of the discounting of Employee Termination Indemnities.

29. EARNINGS PER SHARE (BASIC AND DILUTED)

Earnings per share are calculated by dividing net profit by the weighted average number of shares in circulation for the period, excluding treasury shares held at the end of the year, amounting to 258,041.

	2020	2019
Consolidated net profit	18,975	21,690
No. of ordinary shares ('000)	16,742	16,720
Basic and diluted earnings per share	1.13	1.30

30. DIVIDENDS

On June 3, 2020, the Company distributed (with ex-dividend date June 1) a dividend on net profit for the year ended December 31, 2019, amounting to €15,048 thousand, equivalent to €0.90 for each share entitled to dividends.

	2020	2019
<i>Declared and paid during the year:</i>		
Balance due for 2019 dividend: €0.90 (2018: €0.90)	15,048	15,048
<i>Proposal submitted to the Shareholders' Meeting (not recorded as liability at December 31):</i>		
Balance due for 2020 dividend: €0.90 (2019: €0.90)	15,068	15,048

Proposed dividends submitted for approval to the Shareholders' Meeting amount to €0.90 per share, for a total of €15,068 thousand. This amount was not recorded as a liability.

31. COMMITMENTS AND RISKS

	12/31/2020	12/31/2019	Change
Sureties and guarantees given	1,983	1,070	913

Commitments at December 31, 2020 included sureties granted by the Parent Company to the Municipality of Brescia amounting to €1,268 thousand, to guarantee urban development works following the authorisation to build in an area owned by the company and adjacent to the company headquarters and €228 thousand in guarantees given to the

Brescia Customs Authority. The residual guarantees relate to guarantees for supplies granted to electrical and railway companies.

32. NET FINANCIAL POSITION

The net financial position of the Group at the year end amounted to a surplus of €8,389 thousand, an increase compared to December 31, 2019.

At the financial statement date, the Group had no outstanding debt involving covenants or negative pledges. Below we include the Net Financial Position of the Group, as provided by Consob in Regulation DEM/6064313 dated July 28, 2006.

		12/31/2020	12/31/2019
A	Cash	12	14
B	Bank deposits	37,676	20,969
C	Cash and cash equivalents (A+B)	37,688	20,983
D	Financial receivables	-	-
E	Current bank payables	(22,601)	(9,037)
F	Current financial leasing liabilities	(1,669)	(1,483)
G	Current financial debt (E+F)	(24,270)	(10,520)
H	Net current financial position (C+D+G)	13,418	10,463
I	Non-current financial leasing liabilities	(5,010)	(4,901)
J	Non-current financial debt (I)	(5,010)	(4,901)
K	Net financial position (H+J)	8,408	5,562

33. RELATED PARTIES

Among assets leased to Cembre S.p.A. by third parties are an industrial building adjacent to the Company's registered office measuring a total of 5,960 square meters on three floors, in addition to the Monza, Padua and Bologna sales offices. These properties are owned by "Tha Immobiliare S.p.A.", a company with registered office in Brescia, whose capital is held by Giovanni Rosani and Sara Rosani, members of the Board of Directors of the Parent Company Cembre S.p.A.; the interest for the company can be seen in the prospect of continuity and in the reduction of the risks of termination of the lease contract. At the year end, all amounts due to Tha Immobiliare had been settled.

Cembre Ltd. leases an industrial building from Borno Ltd., a company controlled by Lysne S.p.A. (holding company of Cembre S.p.A.).

A summary of the amounts reported in the financial statements relating to the above contracts is provided below:

	Assets	Non-current liabilities	Current liabilities	Amortisation	Interest expense
Leased assets from THA - Cembre S.p.A.	3,733	2,295	482	496	63
Leased assets from Borno - Cembre Ltd	979	771	141	146	14

Cembre GmbH has recorded €994 thousand under its liabilities, relating to the discounted value of the residual debt to the former owners and directors of IKUMA. The discounted non-current portion of this debt amounts to €496 thousand. Cembre S.p.A. does not have direct relationships with the parent company Lysne S.p.A. of any other nature than that of the exercise of shareholders' rights on the part of the parent. Lysne S.p.A. does not carry out any management or coordination activity with respect to Cembre S.p.A.

Boards' compensation

In 2020, compensation for the Board of Directors and the Board of Statutory Auditors, net of social security contributions, amounted to:

	Board of Statutory Auditors	Directors
Emoluments as directors and auditors of Cembre S.p.A.	84	528
Remuneration as employees	-	538
Non-monetary benefits	-	20

Non-monetary benefits relate to the use of a company car and insurance policies underwritten on their behalf.

34. SHARE-BASED PAYMENTS

The Parent Company Cembre S.p.A. established the incentive plan known as "Premio Carlo Rosani per i 50 anni della Fondazione della Società" (Carlo Rosani Prize for the 50th anniversary of the foundation of the Company), intended for executives and middle managers who have an employment contract with the company.

The plan, approved by the Shareholders' Meeting on April 18, 2019, provides for the attribution, by the company, of rights to acquire ordinary Cembre shares, and will last until 2025.

The rights granted under the plan can only be assigned to the beneficiaries identified, to this end, by the Board of Directors, based on the prior opinion of the Appointments and Remuneration Committee and in compliance with the Incentive Plan Regulation.

The rights will be assigned annually, free of charge, in the plan duration period, following the Board's approval of the company's consolidated financial statements. The beneficiaries will be attributed, for each annual assignment, the following rights: 2,000 for those in the position of executive and 500 for middle managers. The exercise price of the aforementioned rights is €10 per share. At the reporting date, based on the beneficiaries identified by the Board of Directors, provision is made for the assignment of a total maximum number of 132,000 shares for the entire duration of the plan.

The assignment of the rights to the beneficiaries is subject to the verification of the following performance conditions:

- growth must be recorded in the gross operating profit of the Cembre Group in the reference year (i.e. the year prior to the assignment year) compared to the previous year;
- the gross operating profit of the Cembre Group in the reference year must be higher than the minimum values reported in the incentive plan Regulation.

The assignment of the rights to the beneficiaries is also subject to the following additional conditions, to be verified in relation to the individual beneficiary:

- existence of an employment contract with the position of executive or middle manager;
- solely for recipients in the position of middle manager, provision of work activities to the company for an average of 40 hours per week;
- in compliance with the prohibition on the transfer of the payment, from the second assignment date, maintenance of ownership of the shares acquired under the plan, and nonetheless, a number of Cembre shares at least equal to the total number of rights exercised under the plan.

On October 15, 2020, the first installment of assignment rights was exercised that resulted in a reduction of the reserve for treasury shares equal to €418 thousand, against the assignment of 22,000 shares.

35. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group makes very limited use of derivative instruments to hedge against interest risk and currency exposure.

The short term maturity of a large part of the financial instruments held is such that their carrying value is in line with their fair value of the same.

Risks connected with the market

The Group faces these risks with ongoing innovation, the widening of the product range, high automation and the upgrade of its production process, implementing focused marketing policies also with the help of its foreign subsidiaries.

Interest rate risk

At December 31, 2020, as detailed in Note 12, four fixed rate loans were taken out in the name of the Parent Company Cembre S.p.A., expiring in 2020. Owing to the nature and duration of the contracts, the interest rate risk can be considered zero.

Currency risk

Despite a strong international presence, the Group does not have a significant exposure to currency risk (on an operating or equity basis), as it operates mainly in the Euro area, the currency in which its trade transactions are mainly denominated.

Exposure to currency risk is determined mainly by sales in US dollars and British pounds.

The entity and volume are not such as to have a significant impact on the Group's results.

In addition to currency risk, the Group is also exposed to currency translation risk. As described in the consolidation principles section, in fact, financial statements of consolidated companies prepared in currencies other than the Euro are translated into Euro at the exchange rate published on the website of the Ufficio Italiano Cambi.

In the table that follows we report the economic effect of possible fluctuations in exchange rates for main financial figures of consolidated companies operating outside the euro area.

	Currency	Change exchange rate	Change Shareholders'	Change Turnover	Change Profit before
Cembre Ltd.	GBP	5% / -5%	(612)/612	(810)/810	(79)/79
Cembre Inc.	USD	5% / -5%	(473)/473	(609)/609	(34)/34

At December 31, 2020, the effect of foreign-exchange transactions is negative by €171 thousand.

Liquidity risk

The exposure of the Group to liquidity risk is not material as its financial position is balanced. The collection and payment cycle is also in balance, as shown by the ratio of current assets to current liabilities. The pandemic crisis has not lead to changes in the incidence of this risk.

Credit risk

The Group's exposure to credit risk relates exclusively to trade receivables.

As shown in note 8, none of the areas in which the Group operates poses relevant credit risks.

Operating procedures limit the sale of products or services to customers who do not possess an adequate credit profile or provide secured guarantees. Receivables matured over 12 months and those under litigation are widely covered by the provision for doubtful accounts accrued. Moreover, Cembre S.p.A. has stipulated an insurance policy against commercial credit risk, allowing it to reduce further exposure to credit risk.

36. SUBSEQUENT EVENTS

No event having significant effects on the Group's financial position or operating performance occurred after December 31, 2020, except for the continuing effects of the Covid-19 pandemic.

Brescia, March 11, 2021

**FOR THE BOARD OF DIRECTORS
OF THE PARENT COMPANY CEMBRE S.P.A.**
Chair and Managing Director
Giovanni Rosani



CEMBRE

Attestation in respect of the Consolidated financial statements

pursuant to art 154-bis Paragraph 5, of Legislative Decree 58 dated Feb. 24, 1998 "Consolidated Law on financial intermediation regulations" and subsequent integrations and updates

The undersigned Giovanni Rosani and Claudio Bornati, in their position as Managing Director and Manager responsible for the preparation of financial reports of Cembre S.p.A., respectively, pursuant to Article 154-bis, paragraphs 3 and 4 of Legislative Decree No.58/1998, certify that internal controls over financial reporting in place for the preparation of 2020 consolidated financial statements and during the period covered by the report, were:

- adequate to the Company structure, and
- effectively applied during the process.

The undersigned officers certify that this 2020 consolidated financial statements:

- a) was prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002, and
- b) corresponds to the Company's evidence and accounting books and entries;
- c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

The undersigned officers attest, also, that the report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Brescia, March 12, 2021

Manager responsible for the
preparation of financial reports

signed by:
Claudio Bornati

Chairman and
Managing Director

signed by:
Giovanni Rosani

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Cembre S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cembre Group (the Group), which comprise the consolidated statement of financial position as at December 31st 2020, and the consolidated statement of comprehensive income, statement of changes in the consolidated shareholder's 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 December 31st 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 and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

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 Cembre S.p.A. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
Valuation of the goodwill related to Germany CGU	
The consolidated financial statements as of December 31, 2020 include goodwill balance for € 4,6 million entirely related to the Germany Cash Generating Unit (CGU). The processes and the valuation techniques adopted by management to determine the	Our audit procedures in response to the key audit matter included, among others: <ul style="list-style-type: none">• Gained an understanding of the relevant controls over the process for determining the recoverable amounts within the goodwill impairment test.

recoverable value of the CGU, in terms of value in use, are based on complex assumptions that, by their nature, involve management judgement, particularly for the estimating forecast cash flows included in the business plan, the normalized cash flows used to calculate the terminal value and the growth and discount rates applied.

Considering the level of management judgement and complexity of the assumptions adopted in the assessment of the recoverable amount of goodwill, we determined that this area represents a key audit matter.

The goodwill required disclosures are reported in note 4 "Goodwill" paragraph "Goodwill" of the consolidated financial statements as of December 31, 2020.

- Assessed the correctness of the perimeter considered in the identification of the CGU.
- Assessed the reasonableness of the forecasted cash flows
- Assessed the coherence of the forecasted cash flows adopted for the CGU and the business plan for the period 2021-2024.
- Assessed the long period growth rate and discount rate assumed by management.

In performing our audit procedures, we involved EY internal valuation specialists who performed an independent recalculation and a sensitivity analysis of main assumptions, in order to determine any significant impacts on the valuation of the recoverable amount.

Lastly, we evaluated the appropriateness of the disclosure included in the consolidated financial statements as of December 31, 2020.

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 with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, 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 Cembre S.p.A. or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

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.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Cembre S.p.A., in the general meeting held on April 26th 2018, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31st 2018 to December 31st 2026.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Cembre S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Cembre as at December 31st 2020, including their consistency with the related consolidated financial statements and their 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 and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Cembre Group as at December 31st 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Cembre Group as at December 31st 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.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Cembre S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information is subject to a separate compliance report signed by us.

Brescia, 24 March 2021

EY S.p.A.

Signed by: Stefano Colpani, auditor

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

REPORT BY THE BOARD OF STATUTORY AUDITORS
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CEMBRE GROUP AT
DECEMBER 31, 2020

To our Shareholders:

The Consolidated Financial Statements for the 2020 financial year delivered to the Board of Statutory Auditors within the required deadline - consisting of the Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income, Statement of Changes in the Consolidated Shareholders' Equity and of the Notes to the Consolidated Financial Statements - were prepared under the International Financial Reporting Standards (IFRS) adopted by the European Union and in compliance with regulations issued to implement article 9 of Legislative Decree 38/2005, in force at 12/31/2020.

The international accounting standards, amendments and interpretations issued by IASB applicable from January 1, 2020 and described in the Notes to the Consolidated Financial Statements, were employed in the preparation of the Consolidated Financial Statements. The amendments that came into force to IFRS 3, 16, "Conceptual Framework in the IFRS Standards", IAS 1 and 8 applied to the consolidated financial statements of the Cembre Group, with the exception of those made to IFRS 16 due to failure to meet the conditions.

Items in the consolidated financial statements were recorded at historical cost, with the exception of those items for which the accounting standards provide for a different valuation method.

The Consolidated Financial Statements of the Cembre Group report a consolidated net profit of €18,975 thousand as compared with a consolidated net profit of €21,690 thousand in the previous year.

Independent Auditors EY S.p.A., as stated in the Auditing Report drawn up pursuant to articles 14 of Legislative Decree 39/2010 and 10 of Regulation (EU no. 537/2014 issued on March 24, 2021, certified that:

- *"the Consolidated Financial Statements provide a true and correct representation of the financial condition of the Cembre Group at December 31, 2020, of its operating performance and cash flows for the financial year and are consistent with IFRS adopted by the European Union and regulations issued to implement article 9 of Legislative Decree no. 38 of February 28, 2005";*

- *“the Report on Operations and some specific information contained in the Report on Corporate Governance with the Consolidated Financial Statements are consistent with the Consolidated Financial Statements of the Cembre Group for the financial year closed December 31, 2020 and are prepared in compliance with applicable norms and regulations”.*
- *“with reference to the certification pursuant to art. 14, paragraph 2 lett. e) of Legislative Decree 39 of January 27, 2010, issued on the basis of the knowledge and understanding of the company and the related context acquired during the audit, we have nothing to report”.*

In compliance with article 41, par. 3 of Legislative Decree no. 127/91, with the exception of the issues specified below, the Consolidated Financial Statements were therefore not audited by the Board of Statutory Auditors.

The Notes to the consolidated financial statements provide a detail of Balance Sheet and Income Statement items and illustrate accounting standards, consolidation principles and valuation criteria applied in the preparation of the same, in addition to changes in accounting standards. Determination of the consolidation area, the choice of consolidation principles in application of the line-by-line method, of subsidiaries to be consolidated, and the procedures for the consolidation are consistent with IFRS. The scope of consolidation has changed compared to December 31, 2019 following the merger by incorporation into Cembre GmbH, of the subsidiaries IKUMA GmbH & Co. KG and IKUMA Verwaltungs GmbH, which took place on July 1, 2020 but with effect on January 1, 2020.

Information provided in the Report on Operations adequately illustrates the operating and financial situation of the parent company, investments made, alternative performance indicators, Shareholders' Equity, main risks and uncertainties, environmental management, worker safety, performance indicators, research, development and technological innovation activities, related party transactions, also shown in the financial statements, the companies regulated by the laws of non-European Union Member States, the consolidated non-financial declaration, the implications of the COVID-19 pandemic, its operating performance in 2020 and the outlook for the parent company and all the companies consolidated.

With regard to the key audit matters (KAMs), EY S.p.A. identified and focused its attention on assessment of the recoverability of goodwill in relation to the “Germany” Cash Generating Unit. These aspects were covered in the audit and in forming an opinion on the overall consolidated financial statements, and they are not subject to a separate opinion.

Based on the checks and assessments carried out, we confirm that:

- the scope of consolidation was determined correctly;

- the consolidation procedures adopted are compliant with the legal provisions and were applied correctly;
- the examination of the Report on Operations highlighted its consistency with the consolidated financial statements;
- all of the information used for the purposes of consolidation refers to the entire administrative period of the year 2020;
- the measurement criteria are consistent with those used in the prior year;

Brescia, March 25, 2021

The Board of Statutory Auditors

The Chair

Fabio Longhi

Financial Statements at December 31, 2020

Statements of financial position

ASSETS	Notes	Dec. 31, 2020		Dec. 31, 2019	
			<i>of which: related parties</i>		<i>of which: related parties</i>
NON CURRENT ASSETS					
Tangible assets	1	74.107.721		75.807.321	
Investment property	2	855.052		1.023.778	
Intangible assets	3	2.570.257		2.366.273	
Right of use assets	4	3.612.425	2.741.984	4.211.243	3.244.484
Investments in subsidiaries	5	20.909.981		20.909.981	
Other investments	6	5.168		10.333	
Other non-current assets	7	50.969		22.789	
Deferred tax assets	17	996.551		825.524	
TOTAL NON-CURRENT ASSETS		103.108.124		105.177.242	
CURRENT ASSETS					
Inventories	8	36.161.308		36.063.973	
Trade receivables	9	15.987.425		12.959.332	
Trade receivables from subsidiaries	10	3.249.382	3.249.382	2.800.187	2.800.187
Financial receivables from subsidiaries		168.000	168.000	-	
Tax receivables	11	34.113		399.705	
Other assets	12	403.517		332.742	
Cash and cash equivalents		29.109.198		15.529.281	
TOTAL CURRENT ASSETS		85.112.943		68.085.220	
NON-CURRENT ASSETS AVAILABLE FOR SALE		-		-	
TOTAL ASSETS		188.221.067		173.262.462	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2020		Dec. 31, 2019	
			<i>of which: related parties</i>		<i>of which: related parties</i>
EQUITY					
Capital stock	13	8.840.000		8.840.000	
Reserves	13	115.489.722		107.253.061	
Net profit		16.455.237		22.599.654	
TOTAL SHAREHOLDERS' EQUITY		140.784.959		138.692.715	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	14	2.746.670	2.294.825	3.348.227	2.783.084
Employee Severance Indemnity and other personnel benefits	15	1.820.070	109.777	1.925.485	98.238
Provisions for risks and charges	16	244.653		278.134	100.000
Deferred tax liabilities	17	2.018.813		2.018.984	
TOTAL NON-CURRENT LIABILITIES		6.830.206		7.570.830	
CURRENT LIABILITIES					
Current financial liabilities	14	23.492.214	481.542	9.904.960	472.104
Trade payables	18	9.903.219		11.278.626	
Trade payables to subsidiaries	19	188.739	188.739	58.871	58.871
Tax payables		1.052.380		-	
Other Payables	20	5.969.350		5.756.460	
TOTAL CURRENT LIABILITIES		40.605.902		26.998.917	
LIABILITIES ON ASSETS HELD FOR DISPOSAL		-		-	
TOTAL LIABILITIES		47.436.108		34.569.747	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		188.221.067		173.262.462	

Financial Statements at December 31, 2020

Statement of comprehensive income

	Notes	2020		2019	
			of which: related parties		of which: related parties
Revenues from contracts with customers	21	101.409.755	27.831.487	108.808.594	31.892.618
Other revenues	22	1.609.048	1.046.097	1.211.689	649.027
TOTAL REVENUES		103.018.803		110.020.283	
Cost of goods and merchandise	23	(32.841.774)	(402.231)	(36.871.582)	(647.545)
Change in inventories	8	97.335		406.809	
Cost of services received	24	(12.603.400)	(915.434)	(14.798.304)	(1.119.032)
Lease and rental costs	25	(51.139)	-	(128.209)	
Personnel costs	26	(27.774.224)	(927.662)	(27.518.499)	(859.083)
Other operating costs	27	(1.652.270)	(110.180)	(1.094.959)	
Increase in assets due to internal construction		1.206.914		894.359	
Write-down of receivables		(52.741)		-	
Accruals to provisions for risks and charges	28	(22.107)		(23.561)	
GROSS OPERATING PROFIT		29.325.397		30.886.337	
Tangible asset depreciation	1-2	(7.479.628)		(6.778.091)	
Intangible asset amortization	3	(585.585)		(600.798)	
Depreciation of right of use assets	4	(959.588)	(496.006)	(850.350)	(495.342)
Write-down of long-term assets	2	(122.877)		-	
OPERATING PROFIT		20.177.719		22.657.098	
Financial income	29	1.388.202	1.382.557	4.285.727	4.281.460
Financial expenses	29	(98.082)	(63.272)	(126.417)	(73.109)
Foreign exchange gains (losses)	30	(250.798)		(66.522)	
PROFIT BEFORE TAXES		21.217.041		26.749.886	
Income taxes	31	(4.761.804)		(4.150.232)	
NET PROFIT FROM ORDINARY ACTIVITIES		16.455.237		22.599.654	
NET PROFIT FROM ASSETS HELD FOR DISPOSAL		-		-	
NET PROFIT		16.455.237		22.599.654	
Items that will not be reclassified to profit and loss					
Gains (losses) from discounting of Employees' Termination Indemnity		(31.027)		(29.366)	
Income tax relating to items that will not be reclassified		7.447		7.048	
COMPREHENSIVE INCOME	32	16.431.657		22.577.336	

Financial Statements at December 31, 2020

Statement of Cash Flows

	2020	2019
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15.529.281	11.240.731
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year	16.455.237	22.599.654
Depreciation, amortization and write-downs	9.024.801	8.229.239
(Gains)/Losses on disposal of assets	47.106	37.328
Net change in Employee Severance Indemnity	(105.415)	(278.170)
Net change in provisions for risks and charges	(33.481)	(327.819)
Operating profit (loss) before change in working capital	25.388.248	30.260.232
(Increase) Decrease in trade receivables	(3.477.288)	3.096.567
(Increase) Decrease in inventories	(97.335)	(406.809)
(Increase) Decrease in other receivables and deferred tax assets	123.790	2.097.553
Increase (Decrease) of trade payables	(139.416)	215.126
Increase (Decrease) of other payables and deferred tax liabilities	1.265.099	(1.450.725)
Change in working capital	(2.325.150)	3.551.712
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES	23.063.098	33.811.944
C) CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on fixed assets:		
- intangible	(790.433)	(1.041.404)
- tangible	(5.838.049)	(9.730.353)
Proceeds from disposal of tangible, intangible, financial assets		
- intangible	864	15.791
- tangible	179.641	54.206
- financial	5.165	-
Increase (Decrease) of trade payables for assets	(1.106.123)	(2.384.784)
NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES	(7.548.935)	(13.086.544)
D) CASH FLOW FROM FINANCING ACTIVITIES		
(Increase) Decrease in other non current assets	(28.180)	(14.786)
(Increase) Decrease of financial receivables	(168.000)	-
Increase (Decrease) in bank loans and borrowings	13.563.998	(630.952)
Repayment of lease liabilities	(939.070)	(821.859)
Change in reserves	708.550	101.028
Dividends distributed	(15.047.963)	(15.047.963)
NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES	(1.910.665)	(16.414.531)
E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)	13.603.498	4.310.869
F) Discounting of employees' termination indemnities	(23.580)	(22.319)
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (A+E+F)	29.109.198	15.529.281
CASH AND CASH EQUIVALENTS AT END OF YEAR	29.109.198	15.529.281
Financial receivables from subsidiaries	168.000	-
Current financial liabilities	(23.492.214)	(9.904.960)
Non current financial liabilities	(2.746.670)	(3.348.227)
NET FINANCIAL POSITION	3.038.314	2.276.094
INTEREST PAID IN THE YEAR	(5.268)	(9.123)
BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash	5.311	8.629
Banks	29.103.887	15.520.651
	29.109.198	15.529.281

Financial Statements at December 31, 2020

Statement of Changes in the Shareholders' Equity

	Balance at December 31, 2019	Allocation of previous year net profit	Other movements	Comprehensive income	Balance at December 31, 2020
Capital stock	8.840.000				8.840.000
Share premium reserve	12.244.869				12.244.869
Legal reserve	1.768.000				1.768.000
Reserve for own shares	(5.282.685)		385.272		(4.897.413)
Suspended-tax revaluation reserve	585.159				585.159
Other suspended-tax reserves	68.412				68.412
Extraordinary reserve	89.231.692	7.551.691	69.468		96.852.851
Reserve for FTA	4.051.204				4.051.204
Reserve for discounting of Employee Termination Indemnity	88.244			(23.580)	64.664
Merger surplus reserve	4.397.138				4.397.138
Stock options' reserve	101.028,00		253.810		354.838
Retained earnings	-				-
Net profit	22.599.654	(22.599.654)		16.455.237	16.455.237
Total Shareholders' Equity	138.692.715	(15.047.963)	708.550	16.431.657	140.784.959

	Balance at December 31, 2018	Allocation of previous year net profit	Other movements	Comprehensive income	Balance at December 31, 2019
Capital stock	8.840.000				8.840.000
Share premium reserve	12.244.869				12.244.869
Legal reserve	1.768.000				1.768.000
Reserve for own shares	(5.282.685)				(5.282.685)
Suspended-tax revaluation reserve	585.159				585.159
Other suspended-tax reserves	68.412				68.412
Extraordinary reserve	83.022.445	6.209.247			89.231.692
Reserve for FTA	4.051.204				4.051.204
Reserve for discounting of Employee Termination Indemnity	110.563			(22.319)	88.244
Merger surplus reserve	4.397.138				4.397.138
Stock options' reserve	-		101.028		101.028
Retained earnings	-				-
Net profit	21.257.210	(21.257.210)		22.599.654	22.599.654
Total Shareholders' Equity	131.062.315	(15.047.963)	101.028	22.577.335	138.692.715

Notes to the Financial Statements of Cembre S.p.A. at December 31, 2020

I. CORPORATE INFORMATION

Cembre S.p.A. is a joint-stock company with registered office in Brescia, Via Serenissima 9. The company is listed on the MTA (screen-based equities market) managed by Borsa Italiana S.p.A.

Cembre S.p.A. (hereinafter “the Company”) are active primarily in the manufacturing and sale of electrical connectors and related tools.

Publication of the Financial Statements of Cembre S.p.A. for the year ended December 31, 2020 was authorised by a resolution of the Board of Directors dated March 11, 2021.

Cembre S.p.A. is controlled by Lysne S.p.A., a holding company based in Brescia, that does not exercise coordination and management.

II. FORM AND CONTENT

The Financial Statements at December 31, 2020 were prepared under the International Financial Reporting Standards (IFRS) adopted by the European Union and the related implementation regulations issued in application of article 9 of Legislative Decree no. 38/2005.

The standards adopted in the preparation of the Financial Statements are those formally approved by the European Union and in force as at December 31, 2020.

With the exception of those items for which international accounting principles provide for a different valuation, the Financial Statements were prepared in accordance with the historical cost principle.

Unless otherwise indicated, figures reported in the Financial Statements and the related notes are expressed in Euro.

The Financial Statements at December 31, 2020 were prepared on the basis of the going concern assumption.

The table that follows contains a list of international accounting principles and interpretations approved by the IASB that became effective in 2020, which were taken into account, where applicable, in the preparation of the present Financial Statements.

Description	Effective from
Amendments to references to the Conceptual Framework in the IFRS Standards	January 1, 2020
Amendments to IFRS 3 - <i>Definition of business</i>	January 1, 2020
Amendments to IAS 1 and IAS 8 - <i>Definition of materiality</i>	January 1, 2020
Amendments to IFRS 16 - Amendments linked to the effects of Covid-19	May 28, 2020

The amendments to IFRS 16 are not applicable, given that the terms of the contracts in place did not undergo any changes as a result of the Covid-19 pandemic.

Standards issued but not yet entered into force

The standards and interpretations that, at the date of drafting of the company's financial statements, had already been issued but had still not entered into force are outlined below. Cembre S.p.A. intends to adopt these standards and interpretations, if applicable, when they enter into force:

Definition	Effective from
Amendments to IAS 1 - Classification of liabilities as current and non-current	January 1, 2022
Amendments to IFRS 3, IAS 16, IAS 37	January 1, 2022
Annual updates 2018-2020	January 1, 2022
IFRS 17 – Insurance contracts	January 1, 2023

As of today, these standards do not apply to the company.

III. ACCOUNTING STANDARDS AND VALUATION CRITERIA

Presentation of the Financial Statements

The Financial Statements are prepared as follows:

- current and non-current assets and liabilities are reported separately in the Statement of Financial Position;
- the analysis of costs in the Statement of Comprehensive Income is carried out based on the nature of the same;
- the Statement of Cash Flows is prepared by applying the indirect method.

The methods for preparing the Financial Statements have unchanged from previous year. Furthermore, with reference to CONSOB Regulation no. 15519 dated July 27, 2006, the Financial Statements include a separate reporting of amounts pertaining to related parties, where significant.

Property, plant and equipment

Property, plant and equipment is recorded at the historical cost and reported net of accumulated depreciation and losses in value.

Ordinary maintenance and repair costs are not capitalised, and are charged to the income statement in the year in which they are incurred, with the exception of those that result in an increase in the useful life of the asset.

Depreciation commences when the asset is available for use and is calculated on a straight line basis over the estimated residual useful life of the asset, taking into account its residual value. Depreciation rates applied reflect the useful life generally attributed to the various classes of assets and are summarised below, with no changes compared to the prior year:

- Buildings and light installations:	from 3% to 10%
- Plant and machinery:	from 10% to 15%
- Industrial and commercial equipment:	from 15% to 25%
- Other assets:	from 12% to 25%.

Land has an undetermined useful life and is therefore not subject to depreciation.

The book value of property, plant and equipment is subjected to an impairment test whenever events or changes occurred indicate that the book value of the same can no longer be retrieved in line with the depreciation schedule originally set. Whenever there exists such an indication and the book value of the asset exceeds its realizable value, the assets or cash generating units are written down to reflect their expected realisable value.

The residual value and useful life of an asset and the accounting methods used are reviewed yearly and adjusted where necessary at the end of each financial year.

Tangible assets are eliminated from the balance sheet at the time of their sale or when there no longer exists the expectation of future economic benefits from their use or disposal.

Losses and gains (calculated as the difference between net revenues from the disposal and the book value of the asset) are recorded in the Income Statement in the year in which they are disposed of.

Leasing

The company evaluates, when a contract is signed, whether it can be classified as a lease, or:

- whether it confers the right of exclusive use of an asset;
- whether a period is identified in which the right of use can be exercised;
- whether a consideration for use of said right has been set.

The assets identified in this way are recognised at cost, inclusive of all initial direct expenses, and are amortised on a straight-line basis from the date of effectiveness until the end of the useful life of the asset underlying the contract, or, if before, until the expiry of the lease.

At the same time as the recognition under assets of the right of use, the company books the present value of payments due under lease payables, including the price of any purchase option. The value of the liabilities is reduced due to the payments made and may change depending on changes in the contractual terms.

The discount rate used to determine the value of the liabilities is the incremental borrowing rate.

Leases with a duration of less than or equal to 12 months have been excluded from application of the standard, as have low value leases. The associated fees, therefore, are booked as costs over the duration of the lease.

Investment property

Assets that cease to be used in the context of the company's ordinary operations but possess all the characteristics set forth in IFRS 5 to be included among non-current assets

available for sale, are classified among Investment property and continue to be amortized as if they were still included among Property, plant and equipment, applying the same amortisation rates used for the latter.

Intangible assets

Intangible assets are recorded under assets, as provided by IAS 38 (Intangible assets), whenever it is probable that future economic benefits are generated through use and when the cost of the intangible asset can be determined in a reliable manner.

Intangible assets acquired separately are initially capitalised at cost, while those acquired through business combinations are capitalised at their fair value on the acquisition date.

With the exception of development costs, assets generated internally are not recorded as intangible assets.

After the initial recording, intangible assets are carried in the balance sheet at cost, net of accumulated amortisation calculated on a straight-line basis over their expected useful economic life, and of write-downs carried out as a result of durable losses in value. Intangible assets having an indefinite useful life are not amortised and subjected periodically to an impairment test to assess possible loss in value.

The useful life generally attributed to the various classes of assets is the following, with no changes compared to the prior year:

- concessions and licenses:	5 to 10 years
- software licenses	3 to 5 years
- patents:	2 years
- development costs:	5 years
- trademarks:	10 to 20 years.

Amortisation commences when the asset is available for use, that is, when it is in a position and in the necessary condition to operate in the manner intended by management.

The book value of intangible assets is subjected to an impairment test whenever events or changes occurred indicate that the book value of the same can no longer be retrieved

in line with the amortisation schedule originally set. Whenever there exists such an indication and the book value of the asset exceeds its realisable value, the assets are written-down to their expected realisable value.

Investments in subsidiaries

Recognised at cost, adjusted for any impairment.

The positive difference, emerging at the time of purchase, between the acquisition cost and the portion of shareholders' equity at current values of the investee company pertaining to the Company is, therefore, included in the book value of the investment.

Investments in subsidiaries are subject to assessment with regard to any impairment each time impairment indicators are identified. If there is evidence that such investments have undergone impairment, such impairment is recognised in the income statement as a write-down.

If the impairment of the investee company exceed the book value of the investment, the value of the investment is brought down to zero and the additional loss amount is recognised as accrual under liabilities. Should said impairment subsequently decrease, it is recognised in the Income Statement as a recovery within the limits of the cost.

Financial assets

Financial assets are initially recorded at cost, inclusive of accessory purchase costs, representing the fair value of the price paid. After the initial recording, financial assets are valued in accordance with their final purpose as described below.

Financial assets valued at fair value, with changes recorded in the Income Statement.

These are financial assets held for trading purposes, acquired for the purpose of obtaining a profit from short-term fluctuations in price. Derivatives are classified as financial assets held for trading, unless they are designated as effective hedging instruments.

Investments held to maturity

Financial assets other than derivatives that generate fixed financial flows or flows that may be determined and have a set maturity, are classified as “financial assets held to maturity” when the Company intends to and is capable of holding them to maturity.

Financial assets that the Company decides to hold for an indefinite period of time do not fall under this category.

After their initial recording, long-term financial investments held to maturity, such as bonds, are accounted for at the amortised cost, using the effective rate of interest method, are discounted to their present value.

The amortised cost is calculated keeping into account discounts and premiums, amortised over the term of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets providing for fixed payments or payments that may be determined, not listed on an active market. Such assets are recorded at the amortised cost using the actual discount rate method. Gains and losses are recorded in the Income Statement whenever loans and receivables are eliminated from the accounts or they experience losses in value, together with the related amortisation.

Financial assets available for sale

Financial assets available for sale include financial assets that do not fall under the above categories. After the initial recording, these are accounted for at fair value, while gains and losses are recorded under a specific Shareholders' Equity reserve until the assets are sold or a loss in value is ascertained. In such case, gains and losses accrued are charged to the income statement.

In the case of securities widely traded on a regulated market, the fair value is determined with reference to the listed price at the closing of trading on the date of the financial statements. In the case of financial assets for which there does not exist an active market, the fair value is determined through valuation techniques based on the price recorded in recent transactions between unrelated parties or on the basis of the current market value of a similar instrument, or on discounted cash flows or option pricing models. Investments in other companies fall in this category.

Impairment of financial assets

The Company verifies at least yearly the possible loss in value of individual financial assets. These are recorded only at the time when there exists objective evidence, at the occurrence of one or more events, that the asset has experienced a loss of value with respect to its initial recorded value.

Treasury shares

Treasury shares are recorded as a reduction of Shareholders' Equity in a specific reserve.

The purchase, sale, issue or cancellation of treasury shares held does not determine the recording of any gain or loss in the Income Statement.

Inventories

Inventories are valued at the lower of cost and their expected realizable value, represented by their normal sale price, net of completion and selling costs.

The cost of inventories includes the acquisition cost, the transformation cost and other costs incurred to take inventories to their current location and state.

The method used to determine the cost of inventories is that of the weighted average cost, including the cost of initial inventories. Provisions are calculated for finished products, materials and other supplies considered obsolete or slow-moving, keeping into account their expected useful life and retrievable value.

Receivables and payables

Receivables are recognised at fair value, with simultaneous recognition of a provision for doubtful accounts that takes into account possible losses in value (expected losses), determined based on the prior trend of insolvencies and expected future conditions. Payables are normally valued at the amortised cost, adjusted under exceptional conditions in the event of changes in the conditions.

Cash and cash equivalents

Cash and cash equivalents are recorded at face value.

Loans

Loans are initially recognised at cost, corresponding to the fair value of the amount received, less ancillary costs incurred in connection with the arrangement of loans.

After initial recognition, loans are measured at amortised cost, using the effective interest method.

Translation of amounts denominated in currencies other than the Euro

Transactions denominated in currencies other than the Euro are initially accounted for in Euro at the exchange rate at the date of the transaction. Currency translation differences arising at the time at which foreign currency receivables are collected and payables are paid out, are recorded in the income statement.

At the date of the financial statements, monetary assets and liabilities denominated in currencies other than the Euro – consisting of cash on hand or assets and liabilities to be received or paid out, whose amount is set and may be determined – are translated into Euro at the exchange rate at the date of the financial statements, recording in the income statement the currency translation difference.

Non-monetary items denominated in currencies other than the Euro are translated into Euro at the exchange rate at the time of the transaction, representing the historical exchange rate.

Provisions for risks and charges

Provisions for risks and charges are accrued against known liabilities, whose existence is certain or probable, but whose amount and expiration cannot be determined at the date of the financial statements. Accruals are made when the existence of a current obligation, legal or implicit, deriving from a past event, the fulfilment of which is expected to require the use of resources whose amount can be reliably estimated, is probable.

Provisions are valued at the fair value of liabilities. When the financial effect and the timing of the cash outflow can be estimated in a reliable manner, provisions include the interest component, recorded in the Income Statement among financial income

(expense). Provisions accrued are reviewed at each accounting date and adjusted to bring them into line with the best estimate available to date.

Employee benefits

Under IAS 19, and before the reform introduced by the 2007 Budget Law, the Employee Severance Indemnity was classified among defined benefit plans and was therefore subject to actuarial adjustments.

Employee termination indemnities accrued up to December 31, 2006, continue to be accounted for as defined benefit plans, while those accrued from January 1, 2007 are accounted for in two different ways:

- where the individual employee has opted for complementary pension funds, employee termination indemnities accrued after January 1, 2007, and until the time at which the choice is made by the employee, are accounted for as a defined benefit plan. Subsequently they are accounted for as a defined contribution plan;
- where the individual employee has opted for accumulation with the treasury fund of the national social security agency (INPS), indemnities accrued after January 1, 2007 are accounted for as a defined contribution plan.

Share-based payments

The company records, starting from the grant date, the present value of the rights of exercise of the share purchase option. The allocation occurs periodically, over the entire vesting period set forth in the plan.

The fair value measurement of the options takes account of some actuarial variables according to the method set forth in IFRS 2: the risk-free return curve, the annual volatility of the yield of Cembre's share calculated over the last 3 years, the annual dividend rate, the value of the share price at the grant date.

The allocation is accounted for under personnel costs with an undistributable reserve as contra-item called the Stock options reserve.

Elimination of financial assets and liabilities

Financial assets are eliminated when the Company ceases to hold rights to receive financial flows deriving from the same or when such rights are transferred to another entity, that is when risks and benefits of the financial instrument cease to have an effect on the financial position and operating performance of the Company.

A financial liability is eliminated only when the obligation included in it is cancelled, fulfilled or expired.

Any material change in the contractual terms relating to the liability result in its cancellation and in the recording of a new liability.

Any difference between the book value and the amount paid to extinguish the liability is recorded in the Income Statement.

Revenues

Revenues are valued at the current value of the amount received or receivable.

Disposal of assets

Revenues are recognised when the Company has transferred the risks and benefits connected with the ownership of the good, and ceases to exercise the activity associated with ownership and the actual control over the asset sold.

Services rendered

Revenues are recorded based on the stage of completion of the operation at the date of the financial statements.

When the result of the performance of services cannot be reliably estimated, the revenues must be recognised only to the extent that the costs recognised will be recoverable.

The stage of completion is determined by valuing work carried out or by determining the proportion between costs incurred and total estimated costs to completion.

Interest

Interest is recognised on an accrual basis using the effective interest method.

Dividends

They are recognised when the right of the shareholders to receive payment arises.

Grants

Grants are recorded at fair value when there exists a reasonable certainty that that the same will actually be received and the Company meets the conditions for the entitlement to the grant.

Grants linked to cost components (operating grants) are recorded under “other revenues and income” and amortised over several years so that revenues match the costs they are intended to compensate.

The fair value of grants linked to assets (e.g. grants on the purchase of plant and equipment or grants for capitalised development costs), is suspended under long-term liabilities and released to the income statement under “other revenues and income” over the useful life of the asset to which it relates, thus in the period over which the depreciation expense relating to the asset is charged to the income statement.

Financial charges

Financial charges are recorded as a cost in the period in which they accrue. In accordance with IAS 23, financial charges incurred in the acquisition of significant assets (qualifying assets) are capitalised.

Cost of goods purchased and services received

They are recognised in the Income Statement according to the accrual principle.

Income taxes (current, prepaid and deferred)

Current taxes are determined based on a realistic estimate of the tax expense for the period in accordance with applicable tax regulations. The Company records deferred and prepaid taxes arising from temporary differences between the book value of assets and liabilities and the related values reported for tax purposes.

Prepaid taxes are recorded only where there exists reasonable certainty of their retrieval through future profits within the term in which tax benefits are enjoyed. Deferred tax assets are recorded also where there exist deductible losses or tax credits, whenever it is deemed probable that sufficient future profits will be generated in the medium-term (3 to 5 years).

Earning per share

Earnings per share are calculated by dividing net profit by the weighted average number of shares in circulation for the period.

Use of estimates

In accordance with IAS/IFRS, the Company made use of estimates and assumptions based on prior experience and other factors deemed determinant, but not certain. Actual data could therefore differ from estimates and projections made.

Estimated data is reviewed periodically and adjustments made to the same are taken to the Income Statement for the period in which the review takes place in case the review affect only one period, or, subsequent accounting periods in case it affects also the same. Below we describe review processes and key assumptions used by management in applying accounting standards.

Provision for inventory depreciation

The provision for inventory depreciation is accrued to bring the book value of inventories into line with their expected realisable value.

Management reviews the composition of inventories with particular reference to slow moving stock to determine the amount to be accrued prudentially to reflect the obsolescence of stocks.

Provision for doubtful accounts

The provision for doubtful accounts reflects management estimates regarding losses on trade receivables.

The estimated provision for doubtful accounts is based on expected losses by the Company, according to past experience on similar portfolios of receivables, current past

due amounts vs. historical past due amounts, losses and collections, the close monitoring of credit quality, in addition to projections on economic and market conditions.

Retrievable value of non-current assets

Non-current assets include property, plant and equipment, intangible assets, investments and other financial assets. Whenever circumstances so require, the management reviews periodically the book value of non-current assets held and used by the Group, in addition to assets to be disposed of. Such activity is carried out using estimates of expected cash flows from the sale of the asset and of adequate discount rates used in calculating the present value of the same. Whenever the book value of a non-current asset experiences a loss in value, the Company records a write-down equal to the difference between the book value of the asset and its retrievable value either through use or disposal of the same.

Post-retirement benefits

In the estimation of post-retirement benefits the Company makes use of traditional actuarial techniques based on stochastic simulations of the “Monte Carlo” type. Assumptions made relate to the discount rate and the annual inflation rate. Actuarial advisors of the Company also make use of demographic projections based on current mortality rates, employee disablement and resignation rates.

In 2020, based on past turnover experience, the probability of a company employee terminating his or her employment for causes other than death is the following:

Male	6.18%
Female	4.46%

The following assumptions were adopted with regard to the discounting rate, inflation rate and annual rate of increase in the post-retirement benefits:

Annual technical discounting rate	0.77%
Annual inflation rate	1.00%
Yearly real increase in retributions	1.00%

Expected advances to be paid out are 5% per year and each advance corresponds to 70% of the accrued indemnity.

Recoverability of deferred tax assets

Cembre S.p.A. evaluates the possibility to recover deferred tax assets on the basis of profits and expected future market conditions in view of current sale contracts and ability of expected future profits to offset tax credits, in addition to the expected variance of the same and based on expected results.

Contingent liabilities

In carrying out its activity, management consults with its legal and tax advisors and experts. The Company ascertains a liability arising from litigation whenever it deems probable that a financial outlay will be made in the future and when the amount of resulting losses can be reasonably estimated. In case a financial outlay becomes possible but its amount cannot be determined, such occurrence is reported in the notes.

IV. NOTES TO THE FINANCIAL STATEMENTS OF CEMBRE S.P.A.

1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and Machinery	Equipment	Other assets	Work in progress	Total
Historical cost	48,570,471	73,316,874	12,527,142	5,300,293	1,935,192	141,649,971
Accumulated amortisation	(12,283,111)	(40,947,718)	(8,963,379)	(3,648,443)	-	(65,842,650)
Balance at 12/31/2019	36,287,360	32,369,156	3,563,763	1,651,850	1,935,192	75,807,321
Increases	1,076,218	2,291,447	479,447	470,042	1,520,895	5,838,049
Amortisation	(1,079,231)	(5,133,344)	(694,940)	(526,264)	-	(7,433,779)
Net divestments	-	(60,225)	(1,035)	(335)	(42,275)	(103,870)
Reclassifications	333,003	410,214	89,912	9,400	(842,529)	-
Balance at 12/31/2020	36,617,350	29,877,248	3,437,147	1,604,693	2,571,283	74,107,721

	Land and buildings	Plant and Machinery	Equipment	Other assets	Work in progress	Total
Historical cost	47,059,095	65,600,288	11,904,860	5,107,583	3,481,639	133,153,465
Accumulated amortisation	(11,249,752)	(37,242,825)	(8,309,851)	(3,451,439)	-	(60,253,867)
Balance at 12/31/ 2018	35,809,343	28,357,463	3,595,009	1,656,144	3,481,639	72,899,598
Increases	1,296,276	6,126,410	365,624	451,190	1,490,853	9,730,353
Amortisation	(1,033,359)	(4,584,748)	(671,086)	(441,903)	-	(6,731,096)
Net divestments	-	(42,655)	(2,498)	(13,581)	(32,800)	(91,534)
Reclassifications	215,100	2,512,686	276,714	-	(3,004,500)	-
Balance at 12/31/2019	36,287,360	32,369,156	3,563,763	1,651,850	1,935,192	75,807,321

The volume of capital expenditure by Cembre S.p.A. in 2020 amounted to €5,838 thousand. Investments in buildings mainly concerned the restructuring of the building housing the company's commercial and management offices, for which €949 thousand was invested. Investments in fixed plants amounted to €722 thousand, of which €339 thousand related to the aforementioned restructuring, while investments in machinery and production plants reached €1,569 thousand.

The increase in equipment and dies under construction amounted to €687 thousand, while advances paid in the period for the supply of fixed assets amounted to €834 thousand.

The item "Land and buildings" includes the €5,921 thousand revaluation made upon the first-time application of international accounting standards.

The monetary revaluations of property, plant and equipment recognised in the Financial Statements of Cembre S.p.A. at December 31, 2020 are listed below:

Description	Law 576/75	Law 72/83	Law 413/91	Total
Land and buildings	-	246,245	687,441	933,686
Plant and Machinery	227	31,434	-	31,661
Total	227	277,679	687,441	965,348

2. INVESTMENT PROPERTY

	Land and buildings	Plant and Machinery	Other assets	Total
Historical cost	1,713,397	263,005	5,322	1,981,724
Accumulated amortisation	(695,215)	(257,409)	(5,322)	(957,946)
Balance at 12/31/2019	1,018,182	5,596	-	1,023,778
Amortisation	(44,088)	(1,761)	-	(45,849)
Write-downs	(122,877)	-	-	(122,877)
Balance at 12/31/2020	851,217	3,835	-	855,052

At December 31, 2020, the item includes only the Calcinate property; following a specific evaluation, this asset was written down by €123 thousand.

3. INTANGIBLE ASSETS

	Development costs	Patents	Software	Other int. assets	Work in progress	Total
Historical cost	2,264,181	776,103	5,906,601	77,545	155,800	9,180,230
Accumulated amortisation	(1,670,821)	(701,126)	(4,370,852)	(71,158)	-	(6,813,957)
Balance at 12/31/2019	593,360	74,977	1,535,749	6,387	155,800	2,366,273
Increases	427,830	83,274	214,330	-	65,000	790,434
Amortisation	(211,008)	(72,822)	(297,408)	(4,347)	-	(585,585)
Net divestments	(865)	-	-	-	-	(865)
Reclassifications	-	-	11,600	-	(11,600)	-
Balance at 12/31/2020	809,317	85,429	1,464,271	2,040	209,200	2,570,257

Development costs mainly concern the capitalisation of the hours dedicated by the technical office staff to product development.

Investments in software mainly concerned upgrades or purchases of new licenses for existing applications. Assets in progress include, exclusively, advances paid for new software.

4. RIGHT OF USE - LEASED ASSETS

Description	Buildings	Vehicles	Total
Historical cost	3,956,099	1,105,494	5,061,593
Accumulated amortisation	(516,411)	(333,939)	(850,350)
Balance at 12/31/2019	3,439,688	771,555	4,211,243
Increases	1,714	443,025	444,739

Amortisation	(529,305)	(430,283)	(959,588)
Net divestments	(52,850)	(31,119)	(83,969)
Balance at 12/31/2020	2,859,247	753,178	3,612,425

It is noted that the property leased in Settimo Torinese was purchased by Cembre S.p.A. on September 1, 2020. For this reason, the related right of use was no longer considered.

5. INVESTMENTS IN SUBSIDIARIES

	12/31/2019	Change	Write-downs	12/31/2020
Cembre Ltd.	3,437,433	-	-	3,437,433
Cembre Sarl	1,201,608	-	-	1,201,608
Cembre España SLU	3,115,554	-	-	3,115,554
Cembre GmbH	10,287,192	-	-	10,287,192
Cembre Inc.	2,868,194	-	-	2,868,194
Total	20,909,981	-	-	20,909,981

The following information is provided with regard to investments in direct subsidiaries as at December 31, 2020, expressed in Euro:

Company and registered office	Share capital capital	Shareholders' profit	Net profit	%
Cembre Ltd. (Sutton Coldfield - Birmingham)	1,890,927	13,692,013	1,408,288	100
Cembre Sarl (Morangis - Paris)	1,071,000	3,454,254	220,682	100
Cembre España SLU (Torrejon - Madrid)	2,902,200	6,828,521	490,703	100
Cembre GmbH (Monaco - Germany)	10,112,000	15,647,644	515,026	100
Cembre Inc. (Edison - New Jersey - Usa)	1,173,499	7,707,993	384,509	100

Values expressed in currencies other than the Euro were converted at the exchange rate in effect on the last day of the year, for share capital and reserves, and at the average exchange rate for the year with regard to net profit.

From July 1, 2020 with effect January 1, 2020, the subsidiaries IKUMA GmbH & Co. KG and IKUMA Verwaltungs GmbH were incorporated by Cembre GmbH, which owned all their share capital.

6. OTHER INVESTMENTS

	12/31/2020	12/31/2019	Change
Inn.Tec. S.r.l.	-	5,165	(5,165)
Conai	59	59	-
A.Q.M. S.r.l.	5,109	5,109	-
Total	5,168	10,333	(5,165)

They represent the cost of participation in the National Packaging Consortium and participation in A.Q.M. S.r.l., consortium company for the supply of technical services to companies. The zeroing of the value of the investment in Inn.Tec. S.r.l., a local consortium for research and innovation, was accounted for following the liquidation of this company.

7. OTHER NON-CURRENT ASSETS

These solely include guarantee deposits.

8. INVENTORIES

	12/31/2020	12/31/2019	Change
Raw materials	10,644,815	10,877,625	(232,810)
Work in progress and semi-finished goods	13,349,263	12,697,235	652,028
Finished goods	12,167,230	12,489,113	(321,883)
Total	36,161,308	36,063,973	97,335

The value of finished goods was decreased to its expected realisable value through the provision for finished goods, amounting to approximately to €1,777 thousand. Changes in the provision in 2020 were as follows:

	2020	2019
Provision at January 1	1,573,812	1,495,123
Accruals	203,515	78,689
Balance at December 31	1,777,327	1,573,812

9. TRADE RECEIVABLES

	12/31/2020	12/31/2019	Change
Gross trade receivables	16,354,381	13,298,005	3,056,376
Provision for doubtful accounts	(366,956)	(338,673)	(28,283)
Total	15,987,425	12,959,332	3,028,093

Trade receivables by geographical area are outlined below, in thousands of Euro:

	12/31/2020	12/31/2019	Change
Italy	13,782	10,688	3,094
Europe	1,752	2,062	(310)
North America	152	102	50
Oceania	265	133	132
Middle East	82	82	0
Far East	167	151	16
Africa	154	80	74
Total	16,354	13,298	3,056

Management periodically reviews the adequacy of the provision for doubtful accounts, also based on estimates regarding the recoverability of positions at greatest risk. Should insolvency proceedings be initiated against a debtor, the related amount is fully written down.

Average collection time increased from 54 days in 2019 to 70 days in 2020.

The provision for doubtful accounts changed as follows:

	2020	2019
Provision at January 1	338,673	366,521
Accruals	52,741	11,955
Uses	(24,458)	(4,153)
Releases	-	(35,650)
Balance at December 31	366,956	338,673

The breakdown of receivables by maturity at December 31 was as follows:

	Not past due	1-90 days	91-180 days	181-365 days	Over one year	Under litigation	Total
2020	15,329	764	140	16	42	63	16,354
2019	12,098	705	316	86	28	65	13,298

10. TRADE RECEIVABLES FROM SUBSIDIARIES

Trade receivables from the following companies:

	12/31/2020	12/31/2019	Change
Cembre Ltd. (UK)	1,162,110	558,028	604,082
Cembre S.a.r.l. (France)	585,332	357,625	227,707
Cembre España SLU (Spain)	812,730	883,426	(70,696)
Cembre GmbH (Germany)	112,841	414,396	(301,555)
Cembre Inc. (US)	576,369	586,712	(10,343)
Total	3,249,382	2,800,187	449,195

11. TAX RECEIVABLES

	12/31/2020	12/31/2019	Change
Receivables for IRES refunds on IRAP	3,394	3,394	-
Credit for excess advance payment	-	395,230	(395,230)
Reimbursements	30,719	1,081	29,638
Total	34,113	399,705	(365,592)

Reimbursements include the tax credit relating to sanitation costs for the Covid-19 pandemic.

12. OTHER ASSETS

	12/31/2020	12/31/2019	Change
Advances to suppliers	283,699	216,125	67,574
Receivables from employees	21,442	21,941	(499)
Other	98,376	94,676	3,700
Total	403,517	332,742	70,775

The residual item "Other" mainly includes receivables for invoices to be issued to subsidiaries for the charge-back of commercial costs.

13. SHAREHOLDERS' EQUITY

The share capital amounts to €8,840,000 and is made up of 17 million ordinary shares of par value €0.52 each, fully underwritten and paid-up.

The legal reserve amounts to 20% of the share capital.

At December 31, 2020, Cembre S.p.A. held 258,041 treasury shares, corresponding to 1.52% of its capital stock. Against these shares the Company recorded €5,897 thousand in a specific equity reserve under liabilities.

On the fiftieth anniversary of the foundation of the company, the Shareholders' Meeting approved an incentive plan targeted at Company executives and middle managers, which provides for the annual assignment of rights to purchase ordinary Cembre S.p.A. shares and will last until 2025. Following the adoption of this plan, in compliance with the provisions of IFRS 2, in 2019, a Stock Options Reserve was recognised, representative of the debt to beneficiaries of the plan itself, assuming the attainment of the performance targets established and continuity of the work relationship. At December 31, 2020, this reserve amounted to €375 thousand, marking an increase of €254 thousand in the year. Said increase was booked in the Income Statement under other personnel costs. For further details, reference is made to Note 37.

The table below highlights the origin, possibility of use and distribution of the shareholders' equity items:

Nature/description	Amount	Possibility of use	Portion available
Share capital	8,840,000		
Share capital reserves:			
Share premium reserve	12,244,869	A B C	12,244,869
Suspended-tax reserves	585,159	A B	---
Other suspended-tax reserves	68,412	B	---
Restricted reserves:			
Reserve for Treasury Shares	(4,897,413)		---
Stock options reserve	354,838		---
Profit reserves:			
Legal reserve	1,768,000	B	---
First time application of IAS/IFRS reserve	4,051,204	B	---
Discounting of employee termination indemnities	64,664	B	---
Merger differences	4,397,137	A B C	4,397,137
Extraordinary reserve	96,852,852	A B C	96,852,852
Total	124,329,722		113,494,858
		Non-distributable portion	809,318
		Residual distributable portion	112,685,540

Legend: A= capital increase; B= coverage of losses; C= distribution to shareholders.

The non-distributable portion of reserves regards development costs not yet amortised.

14. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	Effective interest rate	Term ending	12/31/2020	12/31/2019
Leasing liabilities - Non-current portion			2,746,670	3,348,227
NON-CURRENT FINANCIAL LIABILITIES			2,746,670	3,348,227
Bank loans				
<i>Current portion</i>				
Banca Intesa contract 68407	0.05%	Apr-20	-	1,000,375
Unicredit contract 53429	0.18%	Feb-20	-	1,000,000
Unicredit contract 53452	0.18%	Feb-20	-	1,000,000
Unicredit contract 53454	0.18%	Mar-20	-	1,000,000
BNL contract 98375	0.05%	Sept-20	-	5,000,000
Banca Intesa contract 11320	0.03%	Sept-21	3,600,000	-
Unicredit contract 47122	0.01%	Jan-21	4,000,000	-
BNL contract 76900	0.01%	Oct-21	5,000,000	-
BNL contract 38656	0.01%	Mar-21	10,000,000	-
Total current portion			22,600,000	9,000,375
Bank overdrafts				
(on presentation of customer bills)				
Unicredit	0.2%	On	-	30,670
Total			-	30,670

Bank charges			644	5,601
Leasing liabilities - Current portion			891,570	868,314
CURRENT FINANCIAL LIABILITIES			23,492,214	9,904,960

At the date of preparation of this document, the loan contract expiring in January 2021 was extended until January 2022.

15. EMPLOYEE SEVERANCE INDEMNITY AND OTHER PERSONNEL BENEFITS

Employee Termination Indemnity showed the following changes:

	2020	2019
Provision at January 1	1,925,485	2,203,655
Accruals	849,441	899,608
Uses	(507,973)	(859,576)
Actuarial effect	45,835	64,020
Social security (INPS) treasury provision	(492,718)	(382,222)
Balance at December 31	1,820,070	1,925,485

The total amount paid to the INPS treasury account at December 31, 2020 amounted to €7,843 thousand at December 31, 2020.

The severance indemnity set aside at December 31, 2020 was discounted on the basis of a specific actuarial valuation.

A change in the discount rate used could result in the following impacts on amount of debt accrued:

Change in rate	12/31/2020	12/31/2019
0.5%	1,745,215	1,842,376
-0.5%	1,902,467	2,009,593

16. PROVISIONS FOR RISKS AND CHARGES

	Supplementary customer allowances	Directors' compensation	Employee incentives	Total
At December 31, 2019	178,134	100,000	-	278,134
Accruals	22,107	-	48,510	70,617
Uses	(4,098)	-	-	(4,098)
Releases	-	(100,000)	-	(100,000)
At December 31, 2020	196,143	-	48,510	244,653

The release of the variable remuneration of the Chairman and Managing Director is due to the non-achievement of the objectives set for the period 2018-2020 by the Board of Directors.

The provision for employee incentives includes amounts allocated for the benefit of sales personnel that will be paid out in subsequent years, upon the achievement of specific objectives set out in the sales development plan.

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are predominantly recorded with regard to the provision for slow-moving stock, as described above, and the provision for doubtful accounts, for the portion not deductible for tax purposes. Deferred tax liabilities, on the other hand, predominantly arise from revaluation of land upon first-time adoption of the international accounting standards, measurement of inventories at average cost (fiscally the LIFO criterion was maintained) and discounting of the employee termination indemnity. For additional information, see the disclosure in the paragraph on taxes.

There are no receivables with maturity of over five years.

	12/31/2020	12/31/2019	Change
Deferred tax assets			
Write-down of inventories	439,447	390,603	48,844
Provision for doubtful accounts	88,069	84,006	4,063
Differences on depreciation	264,860	245,096	19,764
Discounting of employee termination indemnity	51,871	-	51,871
Write-down of Calcinate property	34,283	-	34,283
Other	118,021	105,819	12,202
Gross deferred tax assets	996,551	825,524	171,027
Deferred tax liabilities			
Average cost valuation of inventories	(340,847)	(383,904)	43,057
Reversal of land depreciation	(24,017)	(24,017)	-
Revaluation of land	(1,651,933)	(1,651,933)	-
Discounting of employee termination indemnity	-	40,870	(40,870)
Dividends not collected	(2,016)	-	(2,016)
Gross deferred tax liabilities	(2,018,813)	(2,018,984)	171
Net deferred tax liabilities	(1,022,262)	(1,193,460)	171,198

There are no temporary differences or accruals that could generate unrecognised deferred tax assets and/or liabilities.

18. TRADE PAYABLES

	12/31/2020	12/31/2019	Change
Trade payables	9,891,584	11,192,117	(1,300,533)
Advances	11,635	86,509	(74,874)
Total	9,903,219	11,278,626	(1,375,407)

“Trade payables” are recognised net of trade discounts; any cash discounts are recognised at the time of payment. The nominal value of such payables is adjusted for any returns or allowances (invoicing adjustments), to the extent corresponding to the amount defined with the counterparty.

The distribution of trade payables by geographical area is shown below, in thousands of Euros:

	12/31/2020	12/31/2019	Change
Italy	9,304	10,225	(921)
Europe	562	929	(367)
North America	16	14	2
Other	10	24	(14)
Total	9,892	11,192	(1,300)

19. TRADE PAYABLES TO SUBSIDIARIES

The balance of trade payables is to the following subsidiaries:

	12/31/2020	12/31/2019	Change
Cembre Ltd (UK)	121,675	44,753	76,922
Cembre S.a.r.l. (France)	1,031	4,968	(3,937)
Cembre GmbH (Germany)	44,200	1,100	43,100
Cembre España S.L.U. (Spain)	7,800	8,050	(250)
Cembre Inc. (US)	14,033	-	14,033
Total	188,739	58,871	129,868

20. OTHER PAYABLES

The item is broken down as follows:

	12/31/2020	12/31/2019	Change
Payables to employees	1,921,964	1,846,457	75,507
Employee withholding taxes payable	992,339	1,112,011	(119,672)
Commissions payable	358,469	367,759	(9,290)
Payable to Statutory Auditors	43,680	31,200	12,480

Social security payables	2,199,924	2,203,246	(3,322)
Payable on sundry taxes and withholdings	21,111	11,655	9,456
VAT Payables	116,800	316,249	(199,449)
Legal disputes	468,159	-	468,159
Other	63,777	59,567	4,210
Deferrals	(216,873)	(191,684)	(25,189)
Total	5,969,350	5,756,460	212,890

The payable for legal disputes arose following the definition of an out-of-court agreement with an English customer, relating to the functioning problems of a product developed specifically at its request.

21. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers by geographical area is broken down as follows:

	2020	2019	Change
Italy	55,954,914	58,469,050	(2,514,136)
Rest of Europe	35,423,828	37,595,382	(2,171,554)
Rest of the World	10,031,013	12,744,162	(2,713,149)
Total	101,409,755	108,808,594	(7,398,839)

Further details are provided in the Report on Operations.

22. OTHER REVENUES AND INCOME

	2020	2019	Change
Capital gains	15,354	21,919	(6,565)
Insurance reimbursements	121,044	27,941	93,103
Reimbursements	166,994	175,314	(8,320)
Reimbursement intragroup transport	106,737	109,245	(2,508)
Charge-back of intragroup costs	899,147	539,782	359,365
Release of provisions	-	23,695	(23,695)
Other	146,910	43,551	103,359
Operating grants	152,862	270,242	(117,380)
Total	1,609,048	1,211,689	397,359

The charge-back of intragroup costs predominantly regard "Information Technology" costs and sales costs incurred by Cembre S.p.A. in favour of subsidiaries. Royalties for use of the Cembre trademark are also included.

In relation to operating grants, it should be specified, pursuant to art. 1, paragraph 125, of Law 124/2017 (Compliance with transparency and disclosure obligations), in 2020, grants amounting to €28 thousand were obtained from the "Fondo Formazienda" fund

for training courses provided to Parent Company personnel and grants of €124 thousand were obtained from the European Union for participation in the European Sharework Project, for the creation of a system of interaction between operators and robots in the production process, in which Cembre participates in collaboration with another 14 international partners (7 companies, 6 research institutes, 1 standardisation body).

23. COST OF GOODS AND MERCHANDISE

	2020	2019	Change
Raw materials and merchandise	29,312,055	32,954,804	(3,642,749)
Consumables and supplies	3,127,900	3,552,286	(424,386)
Transport and customs fees	401,819	364,492	37,327
Total	32,841,774	36,871,582	(4,029,808)

24. COST OF SERVICES

	2020	2019	Change
Subcontracted work	2,876,431	3,839,905	(963,474)
Transport	1,213,327	1,158,011	55,316
Maintenance and repair	1,442,970	1,722,731	(279,761)
Electricity, heating and water	1,410,317	1,477,883	(67,566)
Consulting	1,373,083	1,281,088	91,995
Directors' compensation	580,991	638,878	(57,887)
Payments to statutory auditors	87,360	87,360	0
Commissions	691,404	790,412	(99,008)
Postage and telephone	213,690	189,337	24,353
Fuel	178,661	255,503	(76,842)
Travelling expenses	207,685	556,779	(349,094)
Insurance	354,762	343,700	11,062
Bank charges	71,981	80,778	(8,797)
Personnel training	111,168	157,114	(45,946)
Advertising, promotions and trade fairs	282,911	525,912	(243,001)
Security and cleaning	596,616	502,898	93,718
Other	910,043	1,190,015	(279,972)
Total	12,603,400	14,798,304	(2,194,904)

The residual item "Other" mainly includes the costs for the annual fees for software licenses equal to €728 thousand.

25. LEASES AND RENTALS

	2020	2019	Change
Rent and related costs	3,846	3,759	87
Vehicle and other leasing	47,293	124,450	(77,157)
Total	51,139	128,209	(77,070)

The amounts represent the residual portion linked to temporary and short-term extensions of vehicle rental contracts and ancillary costs not falling within the application of IFRS16. We report that the company has not benefited from suspensions of lease contracts related to the pandemic.

26. PERSONNEL COSTS

This item includes the entire cost for personnel, including unused holidays and provisions required by law and by the collective agreements. The employee termination indemnity at December 31, 2020 includes the cost for indemnity accrued during the year for employees who resigned and the employee portion of contribution to the COMETA supplementary pension fund.

	2020	2019	Change
Wages and salaries	19,351,323	20,036,356	(685,033)
Social security contributions	5,579,414	5,722,570	(143,156)
Employee severance indemnity	1,283,806	1,257,010	26,796
Retirement benefits	67,743	66,598	1,145
Other costs	1,491,938	435,965	1,055,973
Total	27,774,224	27,518,499	255,725

The increase in the item “Other costs” is related to the provision in the Reserve for stock options, referred to in Note 13 and equal to €489 thousand (€101 thousand in 2019). It is also noted that, in 2019, the item included the release of the “Provision for personnel incentives”, which had produced a positive component equal to €401 thousand.

Average personnel employed in the Company is broken down as follows:

	2020	2019	Change
Managers	8	7	1
White collars	218	214	4
Blue collars	229	231	(2)
Outsourced personnel	31	33	(2)
Total	486	485	1

During the course of the year, Cembre S.p.A. used an average of 31 short-term staff, for a total cost of €1,371 thousand. This amount is classified under wages and salaries.

27. OTHER OPERATING COSTS

The item is broken down as follows:

	2020	2019	Change
Sundry taxes	449,053	441,531	7,522
Membership fees	60,905	60,573	332
Donations	106,000	35,000	71,000
Losses on receivables	141,984	35,157	106,827
Legal disputes	468,158	-	468,158
Capital losses	62,460	59,247	3,213
Other	363,710	463,451	(99,741)
Total	1,652,270	1,094,959	557,311

Costs for legal disputes are due to the definition of an out-of-court agreement with an English customer, relating to the functioning problems of a product developed specifically at its request.

The residual item "Other" mainly includes ancillary costs incurred for the sales offices and production departments.

28. ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES

The item is broken down as follows:

	2020	2019	Change
Customer indemnities	22,107	23,561	(1,454)

The customer indemnities provision was allocated in relation to possible charges in the case of termination of agency mandates.

29. FINANCIAL INCOME (EXPENSE)

	2020	2019	Change
Dividends from subsidiaries	1,382,557	4,281,460	(2,898,903)
Interest earned on bank account balances	5,150	2,032	3,118
Other financial income	495	2,235	(1,740)
Total financial income	1,388,202	4,285,727	(2,897,525)
Loans and bank overdrafts	(5,268)	(9,123)	3,855
Financial charges on discounting of Employee Termination Indemnity	(14,808)	(34,654)	19,846
Lease financial charges	(72,834)	(82,640)	9,806
Other financial charges	(5,172)	-	(5,172)
Total financial charges	(98,082)	(126,417)	28,335
Total financial income (expense)	1,290,120	4,159,310	(2,869,190)

In 2020, the subsidiaries approved the following dividends in favour of the Parent Company:

- Cembre Sarl €168 thousand;
- Cembre Ltd. £850 thousand, equal to €973 thousand;
- Cembre España SLU €242 thousand.

30. FOREIGN EXCHANGE GAINS (LOSSES)

The item is broken down as follows:

	2020	2019	Change
Realised foreign exchange gains	165,965	75,957	90,008
Realised foreign exchange losses	(407,397)	(135,985)	(271,412)
Unrealised foreign exchange losses	(9,366)	(6,494)	(2,872)
Total	(250,798)	(66,522)	(184,276)

31. INCOME TAXES FOR THE YEAR

	2020	2019	Change
Current taxes for IRES	(4,372,696)	(5,013,574)	640,878
Current taxes for IRAP	(622,044)	(1,011,111)	389,067
Deferred taxes	163,751	(72,887)	236,638
Patent Box Benefit	-	1,743,870	(1,743,870)
Net extraordinary gains	69,185	203,470	(134,285)
Total	(4,761,804)	(4,150,232)	(611,572)

Cembre S.p.A. submitted a request to the Revenue Agency for the renewal of the agreement concerning the application of the “Patent box” regime for the period 2020-2024. Said request was declared admissible; however, as of the date of this document, it is not possible to establish the outcome and the date of conclusion of this negotiation.

The allocation of current taxes is calculated on the taxable income amount, which takes into account increases and decreases to be made in the income tax return to the statutory profit for the year.

Reconciliation of theoretical taxes, arising from application of the nominal rate, and actual taxes to the Income Statement is as follows:

	IRES
Profit before taxes	21,217,042
Theoretical tax expense (24.0%)	5,092,090
Effect of permanent differences	(816,298)
Effect of temporary differences	111,774
Various deductions	(14,869)
Total income taxes in the financial statements	4,372,696

	IRAP
Gross taxable IRAP	48,098,193
Theoretical tax expense (3.9%)	1,875,830
Effect of permanent differences	21,453
Effect of temporary differences	6,990
Deductions for personnel	(978,664)
First advance discount	(303,564)
Total income taxes in the financial statements	622,044

The item “Deferred tax assets and liabilities” is broken down as follows:

	2020	2019	Change
Average cost valuation of inventories	43,057	(58,128)	101,185
Discounting of employee termination indemnity	3,554	8,317	(4,763)
Write-down of inventories	48,844	18,885	29,959
Differences on depreciation	19,764	40,057	(20,293)
Write-down of Calcinate property	34,283	-	34,283
Other	14,249	(82,018)	96,267
Deferred tax assets and liabilities for the year	163,751	(72,887)	236,638

32. COMPREHENSIVE INCOME

Following the adoption of the changes to IAS 19, the actuarial changes to the employee termination indemnity were recognised directly in a specific reserve of shareholders’ equity. These amounts constitute changes in the comprehensive income for the year and are highlighted with separate indication of the relative tax effect. The net effect for 2020 is negative and amounts to €22 thousand.

33. DIVIDENDS

On June 3, 2020, the Company distributed (with ex-dividend date June 1) a dividend on net profit for the year ended December 31, 2019, amounting to €15,048 thousand, equivalent to €0.90 for each share entitled to dividends.

	2020	2019
<i>Declared and paid during the year:</i>		
Balance due for 2019 dividend: €0.90 (2018: €0.90)	15,047,963	15,047,963
<i>Proposal submitted to the Shareholders’ Meeting (not recorded as liability at December 31):</i>		
Balance due for 2020 dividend: €0.90 (2019: €0.90)	15,067,763	15,047,963

Proposed dividends submitted for approval to the Shareholders’ Meeting amount to €0.90 per share, for a total of €13,538 thousand. This amount was not recorded as a liability.

34. COMMITMENTS AND RISKS

At December 31, 2020, guarantees granted by Cembre S.p.A. amounted to €1,982,562, compared to €1,070,012 at December 31, 2019.

Among the guarantees provided to third parties, mention goes to the commitments made with respect to the Municipality of Brescia, for a total of €1,268 thousand, to guarantee completion of the development works following the authorisation to build in an area owned by the company and adjacent to the company headquarters.

The residual portion refers to guarantees granted to Italian and foreign electrical and railway entities, to guarantee supply for €487 thousand, and guarantees granted to Brescia Customs Authority for €228 thousand.

35. NET FINANCIAL POSITION

The net financial position of Cembre S.p.A. amounted at the year end to a surplus of €3,038 thousand, an increase over December 31, 2019.

At date of the financial statements, the Company had no outstanding debt involving covenants or negative pledges.

Below we include the Net Financial Position, as provided by Consob in Regulation DEM/6064313 dated July 28, 2006.

		12/31/2020	12/31/2019
A	Cash	5,311	8,629
B	Bank deposits	29,103,887	15,520,651
C	Cash and cash equivalents (A+B)	29,109,198	15,529,280
D	Financial receivables from subsidiaries	168,000	-
E	Financial receivables (D)	168,000	-
F	Current bank payables	(22,600,644)	(9,036,645)
G	Current lease payables	(891,570)	(868,314)
H	Current financial debt (F+G)	(23,492,214)	(9,904,959)
I	Net current financial position (C+E+H)	5,784,984	5,624,321
J	Non-current bank debts	-	-
K	Non-current lease payables	(2,746,670)	(3,348,227)
L	Non-current financial debt (J+K)	(2,746,670)	(3,348,227)
M	Net financial position (I+L)	3,038,314	2,276,094

36. RELATED PARTIES

The table below summarises transactions between Parent company Cembre S.p.A. and the subsidiaries in 2020, with regard to purchases and sales. For receivables/payables, see the specific paragraphs of this document.

Company	Sales	Purchases
Cembre Ltd.	7,915,260	564,524
Cembre S.a.r.l.	4,925,903	195,003
Cembre España S.L.U.	6,816,059	46,629
Cembre GmbH	5,172,503	230,004
Cembre Inc.	4,047,860	112,353
TOTAL	28,877,585	1,148,513

Revenues include, in addition to those from the sale of products, charge-backs relating to "Information technology" costs and charge-backs for sales costs incurred by the Parent Company in the interest of the subsidiaries, plus royalties for the use of the Cembre trademark, totalling €939 thousand, in addition to €107 thousand in charge-backs of transport costs.

With reference to assets and liabilities relating to subsidiaries and other related parties at year-end, we confirm that transactions with the same fall within the scope of normal operating activities.

The percentage stakes with regard to investments in subsidiaries at December 31, 2020 are outlined below:

Company	Registered office	Share capital	Percentage held				Percentage with voting rights
			direct	indirect	through	total	
Cembre Ltd.	Sutton Coldfield (Birmingham-GB)	GBP 1,700,000	100%	-	-	100%	100%
Cembre Sarl	Morangis (Paris - France)	Euro 1,071,000	100%	-	-	100%	100%
Cembre España SLU	Torrejón de Ardoz (Madrid -Spain)	Euro 2,902,200	100%	-	-	100%	100%
Cembre GmbH	Munich (Germany)	Euro 10,112,000	100%	-	-	100%	100%
Cembre Inc.	Edison (NJ- Usa)	US\$ 1,440,000	100%	-	-	100%	100%

All of the above equity investments are held by way of ownership.

Among assets leased to Cembre S.p.A. by third parties are an industrial building adjacent to the Company's registered office measuring a total of 5,960 square meters on three floors, in addition to the Monza, Padua and Bologna sales offices. These properties are owned by "Tha Immobiliare S.p.A.", a company with registered office in Brescia, whose capital is held by Anna Maria Onofri, Giovanni Rosani, and Sara Rosani, members of the Board of Directors of Cembre S.p.A.; the interest for the company can be seen in the prospect of continuity and in the reduction of the risks of termination of the lease contract. At the year end, all amounts due to Tha Immobiliare had been settled. Said contracts envisage an automatic renewal clause upon expiry.

A summary of the amounts reported in the financial statements relating to the above contracts is provided below:

	Assets	Non-current liabilities	Current liabilities	Amortisation	Interest expense
Leased assets from THA	3,733,332	2,294,825	481,542	496,006	63,272

Cembre S.p.A. does not have direct relationships with its parent company Lysne S.p.A. of any other nature than that of the exercise of shareholders' rights on the part of the parent. Lysne S.p.A. does not carry out any management or coordination activity with respect to Cembre S.p.A.

37. SHARE-BASED PAYMENTS

Cembre S.p.A. established the incentive plan known as "Premio Carlo Rosani per i 50 anni della Fondazione della Società" (Carlo Rosani Prize for the 50th anniversary of the foundation of the Company), intended for executives and middle managers who have an employment contract with the company.

The plan, approved by the Shareholders' Meeting on April 18, 2019, provides for the attribution, by the company, of rights to acquire ordinary Cembre shares, and will last until 2025.

The rights granted under the plan can only be assigned to the beneficiaries identified, to this end, by the Board of Directors, based on the prior opinion of the Appointments and Remuneration Committee and in compliance with the Incentive Plan Regulation.

The rights will be assigned annually, free of charge, in the plan duration period, following the Board's approval of the company's consolidated financial statements. The beneficiaries will be attributed, for each annual assignment, the following rights: 2,000 for those in the position of executive and 500 for middle managers. The exercise price of the aforementioned rights is €10 per share. At the reporting date, based on the beneficiaries identified by the Board of Directors, provision is made for the assignment of a total maximum number of 132,000 shares for the entire duration of the plan.

The assignment of the rights to the beneficiaries is subject to the following performance conditions:

- growth in the gross operating profit of the Cembre Group in the reference year (i.e. the year prior to the assignment year) compared to the previous year;
- growth in the gross operating profit of the Cembre Group in the reference year higher than the minimum values reported in the Incentive Plan Regulation.

The assignment of the rights to the beneficiaries is also subject to the following additional conditions, to be verified in relation to the individual beneficiary:

- existence of an employment contract with the position of executive or middle manager;
- solely for recipients in the position of middle manager, provision of work activities to the company for an average of 40 hours per week;

in compliance with the prohibition on the transfer of the payment, from the second assignment date, maintenance of ownership of the shares acquired under the plan, and nonetheless, a number of Cembre shares at least equal to the total number of rights exercised under the plan.

On October 15, 2020, the first installment of assignment rights was exercised that resulted in a reduction of the reserve for treasury shares equal to €418 thousand, against the assignment of 22 thousand shares.

38. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Given the limited exposure, Cembre S.p.A. makes extremely limited use of derivative instruments to hedge against interest risk and currency exposure.

Risks connected with the market

Cembre S.p.A. faces these risks with ongoing innovation, widening of the product range, high automation and with the upgrade of its production process, implementing focused marketing policies also with the help of its foreign subsidiaries.

Interest rate risk

At December 31, 2020, as detailed in Note 14, four fixed rate loans were taken out, expiring in 2021. Owing to the nature and duration of the contracts, the interest rate risk can be considered zero.

Currency risk

Despite a strong international presence, Cembre S.p.A. does not have a significant exposure to currency risk (on an operating or equity basis), as it operates mainly in the Euro area, the currency in which its trade transactions are mainly denominated.

At December 31, 2020, the following currency positions were outstanding:

	2020		2019	
	Original currency	Equivalent €	Original currency	Equivalent €
Receivables	US\$ 1,011,880	€ 824,611	US\$ 881,957	€ 796,239
Payables	US\$ 21,844	€ 17,802	US\$ 22,769	€ 20,083
Payables	GBP 1,077	€ 1,198	- GBP	- €
Payables	- JPY	€ 1,640	JPY 200,000	€ 1,640
Payables	CHF 1,466	€ 1,357	- CHF	- €
Current account balance in foreign currency	US\$ 2,787,658	€ 2,271,745	US\$ 1,161,803	€ 1,052,840

The items were converted into Euro at the exchange rate in effect on December 31, 2020 and generated, with respect to the original amount recorded, an exchange rate loss of €76 thousand, recorded in the income statement.

The table below summarizes the economic effect, in thousands of Euro, of possible changes in exchange rate for the items indicated above:

	Change in exchange rate	Receivables	Payables	Current account
2020	5%	(39)	1	(108)
	-5%	43	(2)	120
2019	5%	(37)	1	(49)
	-5%	41	(2)	54

As illustrated, the entity and volume are not such as to have a significant impact on the Company's results.

Liquidity risk

The exposure of the Company to liquidity risk is not material as its financial position is balanced. The collection and payment cycle is also in balance, as shown by the ratio of current assets to current liabilities.

At December 31, 2020, the breakdown in payables to suppliers based on expiry was as follows (in thousands of Euro):

		0-30	31-60	61-90	91-120	over 120	TOTAL
2020	Past due	1,264	224	80	3	320	1,891
	Falling due	2,060	5,088	759	84	10	8,001
2019	Past due	1,074	390	483	217	683	2,847
	Falling due	2,114	5,564	11	616	40	8,345

Credit risk

Exposure to credit risk by Cembre S.p.A. relates exclusively to trade receivables.

As shown in Note 9, none of the areas in which Cembre S.p.A. operates poses relevant credit risks.

Operating procedures limit the sale of products or services to customers who do not possess an adequate credit profile or provide secured guarantees.

Receivables matured over 12 months and those under litigation are widely covered by the provision for doubtful accounts accrued. Moreover, Cembre S.p.A. has stipulated an insurance policy against commercial credit risk, allowing it to reduce further exposure to credit risk.

39. SUBSEQUENT EVENTS

No event having significant effects on the Group's financial position or operating performance occurred after December 31, 2020, except for the continuation of the health emergency due to the Covid-19 pandemic.

Attachments

This document includes the following attachments:

Attachment 1: Comparative Income Statement;

Attachment 2: Compensation for auditing services and other services.

Brescia, March 11, 2021

FOR THE BOARD OF DIRECTORS
Chair and Managing Director
Giovanni Rosani

Attachment 1 – Notes to the Financial Statements of Cembre S.p.A.

Comparative Income Statement

	2020	%	2019	%	change
Revenues from contracts with customers	101.409.755	100,0%	28.110.889	100,0%	260,7%
Other revenues	1.609.048		423.266		280,2%
Total Revenues	103.018.803		28.534.155		261,0%
Cost of goods and merchandise	(32.841.774)	-32,4%	(9.397.271)	-33,4%	249,5%
Change in inventories	97.335	0,1%	288.465	1,0%	-66,3%
Cost of services received	(12.603.400)	-12,4%	(3.689.644)	-13,1%	241,6%
Lease and rental costs	(51.139)	-0,1%	(61.931)	-0,2%	-17,4%
Personnel costs	(27.774.224)	-27,4%	(7.121.335)	-25,3%	290,0%
Other operating costs	(1.652.270)	-1,6%	(280.194)	-1,0%	489,7%
Increase in assets due to internal construction	1.206.914	1,2%	207.243	0,7%	482,4%
Write-down of receivables	(52.741)	-0,1%	-	0,0%	
Accruals to provisions for risks and charges	(22.107)	0,0%	(6.287)	0,0%	251,6%
Gross Operating Profit	29.325.397	28,9%	8.473.201	30,1%	246,1%
Tangible assets depreciation	(7.479.628)	-7,4%	(1.562.078)	-5,6%	378,8%
Intangible assets amortization	(585.585)	-0,6%	(151.483)	-0,5%	286,6%
Right of use amortization	(959.588)	-0,9%	(197.222)		386,6%
Write-down of long-term assets	(122.877)	-0,1%	-	0,0%	
Operating Profit	20.177.719	19,9%	6.562.418	23,3%	207,5%
Financial income	1.388.202	1,4%	4.282.084	15,2%	-67,6%
Financial expenses	(98.082)	-0,1%	(22.390)	-0,1%	338,1%
Foreign exchange gains (losses)	(250.798)	-0,2%	6.302	0,0%	
Profit Before Taxes	21.217.041	20,9%	10.828.414	38,5%	95,9%
Income taxes	(4.761.804)	-4,7%	(1.559.523)	-5,5%	205,3%
Net Profit	16.455.237	16,2%	9.268.891	33,0%	77,5%

Attachment 2 to the Notes to the Financial Statements of Cembre S.p.A.

COMPENSATION FOR AUDITING SERVICES AND OTHER SERVICES

(pursuant to article 149-duodecies of the CONSOB Issuers' Regulation)

Type of services	Independent Auditors	Recipient	Compensation (Euro '000)
Audit	EY	Cembre S.p.A.	54
Additional auditing activities	EY	Cembre S.p.A.	4
Limited audit, consolidated non-financial declaration	EY	Cembre S.p.A.	6
Audit	EY	Subsidiaries	82
Audit	HD Bayern Audit AG	Cembre GmbH	16



CEMBRE

Attestation in respect of the statutory financial statements

pursuant to art 154-bis Paragraph 5, of Legislative Decree 58 dated Feb. 24, 1998 "Consolidated Law on financial intermediation regulations" and subsequent integrations and updates

The undersigned Giovanni Rosani and Claudio Bornati, in their position as Managing Director and Manager responsible for the preparation of financial reports of Cembre S.p.A., respectively, pursuant to Article 154-bis, paragraphs 3 and 4 of Legislative Decree No.58/1998, certify that internal controls over financial reporting in place for the preparation of 2020 statutory financial statements and during the period covered by the report, were:

- adequate to the company structure, and
- effectively applied during the process.

The undersigned officers certify that this 2020 statutory financial statements:

- a) was prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002, and
- b) corresponds to the company's evidence and accounting books and entries;
- c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

The undersigned officers attest, also, that the report on operations includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which it is exposed.

Brescia, March 12, 2021

Manager responsible for the
preparation of financial reports

signed by:
Claudio Bornati

Chairman and
Managing Director

signed by:
Giovanni Rosani

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Cembre S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cembre S.p.A. (the Company), which comprise the statement of financial position as at December 31st 2020, and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31st 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 and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

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.

Key Audit Matters

There are no key audit matters to be communicated in this report.

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 International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, 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 audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

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.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Cembre S.p.A., in the general meeting held on April 26th 2018, engaged us to perform the audits of the financial statements for each of the years ending December 31st 2018 to December 31st 2026.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Cembre S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Cembre S.p.A. as at December 31st 2020, including their consistency with the related financial statements and their 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 and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Cembre S.p.A. as at December 31st 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Cembre S.p.A. as at December 31st 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.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Cembre S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Brescia, 24 March 2021

EY S.p.A.
Signed by: Stefano Colpani, auditor

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

REPORT BY THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING OF CEMBRE SPA, DRAWN UP PURSUANT TO
ARTICLE 153 OF LEGISLATIVE DECREE 58/98 ("TUF") AND ARTICLE 2429, PARAGRAPH
TWO, OF THE ITALIAN CIVIL CODE

To our Shareholders:

Pursuant to article 2429, paragraph 2 of the Italian Civil Code and article 153 of Legislative Decree no. 58/98, the Board of Statutory Auditors reports to the Shareholders' Meeting, called to approve the Financial Statements for the year, on the monitoring activity carried out and on omissions and censurable facts observed, in addition to expressing a recommendation on the Financial Statements, their approval and other pertinent issues.

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting of April 26, 2018 pursuant to laws, regulations and by-laws, also with regard to balance in gender representation. The Board of Statutory Auditors' term will end with the Shareholders' Meeting called to approve the Financial Statements at December 31, 2020.

Members of the Board of Statutory Auditors have complied with the limit on the number of appointments that may be held by members, set by article 144-terdecies of the Issuers' Regulation.

The company E.Y. S.p.A. was assigned the auditing engagement pursuant to Italian Legislative Decree 58/1998 and of Italian Legislative Decree no. 39/2010 as resolved by the Shareholders' Meeting of April 26, 2018, to whose reports reference is made. The original auditing engagement has a duration of nine years and will end with the Shareholders' Meeting called to approve the Financial Statements at December 31, 2026.

During the year under review, in compliance with the responsibilities assigned by article 149 of Legislative Decree no. 58/98, the Board of Statutory Auditors:

- attended the Ordinary Shareholders' Meeting of May 20, 2020 - held through remote connections as established by Art. 106 of Decree Law 18/2020, converted into law by Italian Law no. 27/2020 - and the meetings of the Board of Directors, obtaining from the Directors adequate information on the operations of the Company and their foreseeable development, in addition to the main transactions, in terms of size and importance, carried out by the Company and its subsidiaries;
- acquired knowledge necessary to verify compliance with the law, the by-laws, correct management principles and the adequacy of the Company's organizational structure,

- through the acquisition of documents and information from the managers of the departments involved and from the periodic exchange of information with the Independent Auditors;
- attended, at least through its Chair, the Control and Risk Committee, Appointments and Remuneration Committee and Supervisory Body's meetings;
 - monitored the functioning and effectiveness of internal control systems, in addition to the adequacy of the administrative and accounting system, with particular attention to the ability of the latter to portray the operations of the Company;
 - promptly shared with the managers of the Independent Auditors key data and information for the performance of its respective duties pursuant to art. 150 of Legislative Decree 58/98, also by examining the work carried out and receiving reports as provided by article 14 of Legislative Decree 39/2010, and art. 11 of Regulation EU 537/2014;
 - examined the contents of the Additional Report pursuant to art. 11 of Regulation EU 537/2014, which was transmitted to the Board of Directors pursuant to art. 19 paragraph 1 letter a) of Legislative Decree 39/10, from which no aspects emerged that should be highlighted in this report;
 - monitored the functioning of the control system on subsidiaries and the adequacy of instructions imparted to subsidiaries pursuant to article 114, paragraph 2, of Legislative Decree 58/98;
 - acknowledged the issue of the Report on Remuneration as per article 123-ter of Legislative Decree 58/98 and per article 84-*quater* of the Issuers' Regulation, specifying that it is in line, as resolved by the Board of Directors on March 11, 2021, also with Consob Resolution no. 21263 of December 10, 2020, entailing amendments to Art. 84-*quater* of the Issuers' Regulation and scheme 7-*bis* of Annex 3A to the same Regulation. There are no particular observations to report;
 - ascertained compliance of the statutory provisions with the legal and regulatory provisions;
 - monitored the implementation of corporate governance rules adopted by the Company in compliance with the Corporate Governance Code of Listed Companies promoted by Borsa Italiana S.p.A.;
 - monitored the compliance of the internal procedure on Related Parties Transactions with the Regulation approved by CONSOB by Resolution no. 17221 of March 12, 2010 and subsequent amendments, in addition to the observance – pursuant to article 4, paragraph 6 – of the same Regulation, keeping into account indications and guidelines provided in Communication no. DEM/10078683 of September 24, 2010;

- monitored on the financial reporting process, verifying compliance by the Directors with norms inherent to the preparation, approval and publication of the accounts of Cembre S.p.A. and the consolidated financial statements;
- ascertained the adequacy of the method and impairment process implemented in order to clarify the consistency of the value of the goodwill recorded among the assets;
- verified that the Report by the Board of Directors on Operations for the 2020 financial year complied with applicable legislation and was consistent with resolutions adopted by the Board of Directors and events represented in the accounts of Cembre S.p.A. and the consolidated financial statements;
- acknowledged the content of the Consolidated Half-year Report, without having exceptions to report, in addition to verifying that the same was published in compliance with currently applicable regulations;
- verified that the Report on Operations for the 2020 financial year was in compliance with regulations in force and conformed with the facts represented in the statutory and consolidated financial statements;
- acknowledged that the Company issued Interim Reports on the Operations for the first and third quarters within the deadlines set by the previous regulations;
- monitored compliance with the requirements established by Legislative Decree no. 254/2016 and examined the Consolidated Non-Financial Declaration (NFD), ascertaining compliance with the guidelines for its preparation pursuant to said decree.

According to article 19, paragraph 1, of Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, the Board of Statutory Auditors, in its capacity as Committee for Internal Control, also carried out specific tasks regarding information, monitoring, control and verification as described in the new regulation, fulfilling its duties and carrying out the tasks assigned to it by said regulation.

Based on the information and data acquired during the monitoring activity carried out by the Board of Statutory Auditors as described above, no fact from which to infer the lack of compliance with the law or the Company's By-laws or such as to justify its reporting to the Supervisory Body or worth mentioning in the present Report emerged.

Please note that in accordance with Art. 4, paragraph 7 of the Transparency Directive 2004/109/EC, as amended by Directive 2013/50/EU, starting January 1, 2020, all consolidated annual financial reports must be drawn up in a single electronic reporting format. The technical standards regulating this format, prepared by the European Securities and Markets Authority (ESMA) are contained in the Delegated Regulation 2018/815 (EU) dated December 17, 2018

(Regulatory technical standards on the specification of a single electronic reporting format, the European Single Electronic Format or "ESEF").

In 2020, following the spread of the pandemic, within the European institutions, discussions began on the deferral of the coming into force of said regulations, which, on December 11, 2020, led to an agreement being reached between the European Parliament and the European Commission to amend the Transparency Directive, assigning Member States the option of deferring use of the ESEF by a year. On the basis of the evolution of the agreements between the various countries of the European Community, the announcements made by national authorities and the subsequent publication of Italian Law no. 21 of February 26, 2021, which sanctioned the postponement of one year of the coming into force of the legislation, the Company has not prepared the financial statements for the year ended December 31, 2020 in ESEF.

As regards the COVID-19 pandemic emergency that had such a major impact on FY 2020, the Board of Statutory Auditors has monitored the adoption of the necessary prevention measures and action to limit infection in the workplace, in compliance with the indications given by the competent authorities to allow for the continuation of the corporate business and has acquired the necessary information during the meetings held of the Board of Directors and Supervisory Body. It is acknowledged that in the Report on Operations, the Company provided a full, analytical description ("Implications of the Covid-19 pandemic") of the measures adopted to limit the spread of the COVID-19 epidemic in the workplace and offered information on the initiatives taken to support the community, on the impact of the event on the net financial position and on the performance of loans. The same disclosure has been given for each Group company.

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With reference to the activities carried out during the year - also in compliance with the guidelines provided by CONSOB with Communication DEM/1025564 of April 06, 2001 and subsequent amendments and additions ("Communication on the contents of the Report by the Board of Statutory Auditors to the Shareholders' Meeting as per article 2429, paragraph 3, of the Italian Civil Code and 153, paragraph 1, of Legislative Decree 58/98 - Summary sheet of monitoring activities carried out by the Board of Statutory Auditors") - we report the following.

1. With regard to the financial year that is the object of the present Report, there do not emerge transactions carried out by the Company or its subsidiaries that may be considered significant or having a relevant economic or financial impact. We would, however, like to point out that in

2020, the merger by acquisition was resolved of Ikuma GmbH by Cembre GmbH, so as to rationalise the commercial distribution chain operating on the German market. This transaction was approved on July 1, 2020, with retroactive effect as at January 1, 2020.

All activities carried out by the Company were reported in detail in the Report on Operations. In any case, the Board of Statutory Auditors monitored and verified - based on information in its possession - that operations carried out were in compliance with the law, the Company's By-laws and correct management principles, were not manifestly imprudent, did not constitute a potential conflict of interest, were not in contrast with Shareholders' resolutions taken or were such as to compromise the integrity of the company's assets.

2. The Board of Statutory Auditors did not encounter any atypical and/or unusual transactions, nor any significant non-recurring transactions, including infra-group or with related parties, as defined in CONSOB Communication DEM/6064293 dated July 28, 2006. We acknowledge that information provided in the Financial Report on such transactions, is adequate.

3. The characteristics of transactions with subsidiaries and related parties carried out by the Company and its subsidiaries in 2020, entities involved and the related economic effects, are reported in the "Related party transactions" paragraph of the Report on Operations and the chapter on "Related Party disclosure" of the financial statements, to which we refer.

Transactions with Related Parties, defined in accordance with international accounting standards and guidelines issued by CONSOB, are regulated by an internal procedure (the "Procedure"), adopted by the Board of Directors of the Company on November 11, 2010, in compliance with article 2391 bis of the Italian Civil Code and the Regulation issued by CONSOB, as last modified on May 14, 2018. The Board of Statutory Auditors examined the Procedure verifying its conformity with and correct application of regulations issued by CONSOB on the matter.

4. We acknowledge that Independent Auditors EY S.p.A. issued on March 24, 2021 the Audit Report pursuant to article 14 of Legislative Decree no. 39/2010 and article 10 of Regulation (EU) no. 537/2014, in which it attested that:

- "the Financial Statements provide a true and correct representation of the financial condition of the Company at December 31, 2020, of its operating performance and cash flows for the financial year and are consistent with IFRS adopted by the European Union and regulations issued to implement article 9 of Italian Legislative Decree no. 38 of February 28, 2005";
- "the Report on Operations and some specific information contained in the Report on

Corporate Governance and Ownership Structure are consistent with the Financial Statements of Cembre S.p.A. for the financial year closed December 31, 2020 and are prepared in compliance with applicable norms and regulations”;

- “the opinion on the Financial Statements expressed in the aforementioned Report is in line with that indicated in the Additional Report for the Board of Statutory Auditors, in its capacity as Committee for Internal Control and Audit, prepared pursuant to art. 11 of said Regulation.”

In its Report on the audit of the financial statements, the Independent Auditors also declared to have verified approval by the directors of Cembre S.p.A. of the Consolidated Non-Financial Declaration for the year 2020.

The audit reports for the individual financial statements illustrate the key audit matters (KAMs) which, based on the professional opinion of the auditors, are most significant in auditing the individual financial statements for the year in question. In particular, EY S.p.A., for the financial statements of Cembre S.p.A. at December 31, 2020, did not identify any key aspects worthy of mention in this report.

In its Audit Reports, the Independent Auditors did not highlight any findings or emphasis of matter paragraphs, or statements issued pursuant to art. 14, paragraph 2, letters d) and e) of Legislative Decree 39/2010.

On March 24, 2021, the Independent Auditors also:

- transmitted to the Board of Statutory Auditors in its capacity of Committee for Internal Control and Audit, the Additional Report provided for in Article 11 of Reg. EU no. 537/2014 issued on the same date;
- issued, in accordance with Art. 3, paragraph 10 of Italian Legislative Decree no. 254/2016 and Art. 5 of Consob Regulation Resolution no. 20267/2018, the “Independent Auditors’ report on the consolidated non-financial declaration”. In their report, the Independent Auditors stated that, based on the work performed, no elements came to their attention that would suggest that the Cembre Group’s Consolidated Non-financial Declaration for the year ended December 31, 2020 was not drafted, in all its significant aspects, in compliance to the provisions of articles 3 and 4 of the Decree and the GRI Standards, with reference to the GRI standards.

During the periodic meetings of the Board of Statutory Auditors with the Independent Auditors, pursuant to art. 150, paragraph 3 of Legislative Decree no. 58/1998, no aspect worthy of mention in the present report emerged, nor did it receive from the same information on facts deemed to be reprehensible in connection with the performance of the audit carried out.

The Board of Statutory Auditors, in its capacity as Committee for Internal Control and Audit,

has: (i) examined the transparency report and the additional report prepared by the Independent Auditors in compliance with criteria set out in Reg. EU 537/2014, noting that on the basis of the information acquired, no critical aspects had emerged in connection with the statutory audit, (ii) verified and monitored the independence of the independent auditing firm in accordance with Art. 19, paragraph 1, letter e) of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016, discussing any onset of situations with it that could potentially give rise to risks relating to its independence and any measures to be taken to reduce or neutralise such, in accordance with Art. 6, paragraph 2, lett. b) of Reg. EU 537/2014; (iii) received written confirmation from the Independent Auditors on March 24, 2021 that in the period from January 1, 2020 to the time when the Report was issued, the ethical standards had been respected pursuant to Articles 9 and 9-bis of Italian Legislative Decree no. 29/2010 and no situations had been encountered that had compromised its independence from Cembre S.p.A., in accordance with Articles 10 and 17 of Italian Legislative Decree no. 39/2010 and Articles 4 and 5 of the European Regulation 537/2014.

The Board of Statutory Auditors has informed the Company's Board of Directors on the results of the statutory audit and, to this end, has sent the Chair of the Board of Directors the Additional Report in accordance with Art. 19 of the Decree.

5-6. In 2020, the Board of Statutory Auditors did not receive any report pursuant to article 2408 of the Italian Civil Code, or any complaints from Shareholders or other parties.

The Board is not aware of any other facts or statements to report to the Shareholders' Meeting.

7-8. The Board monitored the nature and extent of the services other than the main auditing engagement rendered to the Company and to the other companies of the Cembre Group by EY and by the entities included in its network.

We hereby inform you that no services other than auditing were performed and that the detailed description of remuneration paid is reported by the Board of Directors in the table drawn up pursuant to art. 149-duodecies of CONSOB Regulation no. 11971 of May 14, 1999 and subsequent amendments and additions ("Regulations for the implementation of Legislative Decree No. 58 of February 24, 1998, concerning the regulation of listed companies", so-called "Issuers' Regulation").

In relation to the aforementioned appointments, the Board of Statutory Auditors monitored and ascertained, also pursuant art. 19 of Italian Legislative Decree no. 39/2010 and Art. 5 Reg. EU no. 537/2014, compliance with the relevant regulatory provisions, as well as compatibility with the restrictions and limitations envisaged by law.

9. In 2020, the Board of Statutory Auditors, pursuant to laws and regulations, issued one opinion about added compensation in favour of the independent auditors E.Y. S.p.a. for impairment testing on the value of goodwill posted amongst the assets on the consolidated financial statements.

The Board of Statutory Auditors has also expressed its opinion in all those cases in which it has been requested to do so by the Board of Directors in the context of those decisions that require the prior opinion of the Board of Statutory Auditors.

10. In general, with the end of acquiring information instrumental in carrying out its monitoring activities, in 2020 the Board of Statutory Auditors

- met eight times, in compliance with the frequency required by law, to carry out periodic checks and adopt the required resolutions. Activities carried out in said meetings are documented in the related minutes. All meetings were attended by all members;
- attended all five of Board of Directors' Meetings at which Directors informed the Board of Statutory Auditors on main operations of economic and financial relevance carried out by the Company and its subsidiaries;
- attended the Shareholders' Meeting of May 20, 2020;
- met twice as a Board with the Company's independent auditors, E.Y. S.p.A. without the submission of any relevant aspects or circumstance worthy of mention in the present Report;
- attended, through its Chair, one meeting of the Appointments and Remuneration Committee;
- attended six meetings of the Control and Risks Committee, of which four attended by the Chair only, during which it received information on the latter's activities;
- also attended four meetings of the Supervisory Body, of which two attended by the Chair only.

11. The Board of Statutory Auditors monitored compliance with the Law and the By-laws and the respect of correct management practices, ensuring that operations resolved and carried out by Directors were consistent with said rules and principles in addition to being inspired by rational economic principles and not manifestly imprudent or excessively risky, in contrast with resolutions taken by the Board or such as to compromise the integrity of the company's assets;

The Board believes that the instruments and governance institutes adopted by the Company

are valid to ensure respect of the principles of correct administration.

12. The Board of Statutory Auditors acquired direct knowledge and monitored, to the extent required by our task, the adequacy of the organizational structure of the Company in relation to its size, also gathering information from persons in charge of the management of the Company, the Person in charge of *Internal Audit*, the *Control and Risk Committee*, the *Supervisory Body* and the Independent Auditors, with the aim of exchanging data and information.

In light of verifications carried out and the absence of critical situations, the organizational structure of the Company appears adequate to its corporate goal, the characteristics and size of the company.

13. With regard to the adequacy and effectiveness of the internal auditing and risk management system, also at the consolidated level, the Board of Statutory Auditors carried out its task through the exhaustive collection of information, by:

- reviewing the report of the Person in charge of Internal Audit on the adequacy and functioning of internal audit and risk management systems of the Company;
- attending meetings of the Internal Control and Risk Committee and of the Supervisory Body;
- reviewing the report of the Internal Control and Risk Committee on the internal audit system;
- reviewing information on measures taken and procedures adopted pursuant to Legislative Decree 231/2001 and subsequent amendments, on the administrative responsibility of organizations with regard to crimes referred to in the above legislation;
- reviewing information on monitoring activity for hygiene, employee safety and the environment in general, and on the implementation of corrective action, also by seeking specific independent advice;
- reviewing the results of work carried out by the Independent auditors;
- reviewing information provided by the management and respective boards of subsidiaries, pursuant to commas 1 and 2 of article 151 of Legislative Decree 58/98;
- certification of the financial statements pursuant to art. 81-ter of Consob Regulation dated May 14, 1999 and subsequent amendments, underwritten by the Managing Director and Manager in charge of drafting the Company's accounts.

The Board of Statutory Auditors also interfaced with the Person responsible for Internal Audit to evaluate the audit plan and its outcome, both in its introduction phase, and in that of the review of verifications performed and the related follow-up.

The Board acknowledges that the yearly reports of the Internal Audit Department close with an overall favourable opinion of the internal control structure.

In light of the monitoring activity carried out and of the positive opinions regarding the adequacy, effectiveness and functioning of the internal control and risk management system formulated by the Control and Risk Committee and by the Board of Directors, the Board of Statutory Auditors deems, within the scope of its responsibilities, such system to be effective and adequate.

14. The Board also monitored the ability of the managerial accounting system of the Company to correctly represent the performance of the Company through the gathering of information from the Appointed Manager and competent head of departments, the review of corporate documents and the analysis of results of work carried out by the independent auditors. In particular, the Board reports that in 2020 the Appointed Manager verified, with the help of the Internal Audit Department, the adequacy and actual application of administrative and accounting procedures as per article 154-bis, TUF; such activity allowed to attest that the financial statements provide a true and correct representation of the financial situation and economic performance of the Company and its subsidiaries.

Following the May 2018 acquisition of Ikuma GmbH and the related Purchase Price Allocation, carried out for the purposes of the Group's consolidated financial statements, an impairment test was performed on goodwill, in accordance with IAS 36. The analysis was conducted by the Company and approved by the Board of Directors during the meeting held on February 24, 2021. The impairment procedure and its results were monitored by the Board of Statutory Auditors through participation in the meeting of the Control and Risk Committee, which examined them.

In light of the monitoring activity carried out and of the positive opinion on the adequacy of the organizational, administrative and accounting structure of the Company expressed by the Board of Directors at its meeting of March 11, 2021, the Board of Statutory Auditors deems, within the scope of its responsibilities, such system to be adequate and reliable in providing a correct representation of the Company's performance.

15. The Board monitored the adequacy of instructions imparted to subsidiaries pursuant to article 114, paragraph 2, of Legislative Decree no. 58/98 and subsequent amendments, and on the correct flow of information between them, and deems the Company to be capable of complying with disclosure requirements set by Law, without exception. With reference to

subsidiary Cembre Inc., incorporated in the US, and Cembre Ltd, with registered office in the United Kingdom, and therefore not operating under the laws of the EU, whose accounts are audited, we attest that the administrative, accounting and reporting systems used are adequate in providing a regular flow of operating and financial information to the company's management and Independent auditors.

16. In compliance with article 150, paragraph 3 of TUF, periodic meetings with the Independent Auditors were carried out to verify the reliability of the management and accounting system of the Company and the internal control system. No relevant aspect requiring further analysis or the existence of censurable facts emerged.

With reference to the functions assumed pursuant to article 19 of Legislative Decree 39/2010, the Board of Statutory Auditors, also in the context of meetings held with the Independent Auditors, took vision of the work plan adopted, received information on the process for identification and measurement of risks, on the areas of attention in auditing of the individual and consolidated financial statements, on identification of the key aspects of the audit (KAMs) in accordance with ISA Italia 701, on the auditing strategy, on the audit findings, on the impacts on the financial statements and organisation and conduct of the audit deriving from the spread of the COVID-19 epidemic, on the accounting standards adopted, on the accounting of major operations that occurred in the year, on the outcome of auditing activities and on the fundamental issues that emerged upon the independent audit relating to financial reporting, all of which did not reveal any shortcomings in the internal control system and in the financial reporting process.

17. The Company has adopted the Corporate Governance Code of listed companies approved by the Committee for Corporate Governance promoted by Borsa Italiana S.p.A. The corporate governance system adopted by the Company is reported in detail in the Report on Corporate Governance and Ownership Structure for financial year 2020, approved by the Board of Directors on March 11, 2021.

In accordance with the Corporate Governance Code, the Board of Statutory Auditors verified, during the year, the correct application of criteria and procedures for determining the existence of the independence requirements applied by the Board of Directors in evaluating the independence of Non-executive Independent Directors and compliance with the requirements for the composition of the Board of Directors. In regard to the provisions on gender introduced by Art. 1, paragraph 302 and 303 of Italian Law no. 160/2019 and included in Art. 144-undecies.1 of the Issuers' Regulation, on February 25, 2021, the Board of Directors resolved to

adapt the By-Laws to comply with these new legislative provisions, accordingly amending Article 15, paragraph 5 and Article 23, paragraph 1. During this same meeting, the update of the regulations governing the Appointments and Remuneration Committee was also approved, so as to align it with the provisions of the new Borsa Italiana Regulation for companies in the STAR segment and to update the Organisation, Management and Control Model in accordance with Italian Legislative Decree no. 231/2001 of the protocols on “monetary, financial and cash flows and infra-group transactions”, “trademarks and patents”, “environmental protection” and “information flows to the SB”.

In addition, the Board provided for the self-assessment of the independence of its members, upon completion of which it confirmed the existence of the requirements prescribed by law and by the aforementioned Corporate Governance Code. It is acknowledged that no Statutory Auditor had any interest, on their own behalf or on behalf of third parties, in any transaction of the Company during the year and that the members of the Board of Statutory Auditors complied with the limit on the number of appointments that may be held by members, prescribed by art. 144-*terdecies* of the Issuers’ Regulation.

In compliance with the provisions of the Rules of Conduct of the Board of Statutory Auditors of Listed Companies, issued by the National Institute of Chartered Accountants, the Board carried out an evaluation process. The outcomes, the assessments made and the final indications of the Board were discussed collectively during the meeting held on January 28, 2021, and subsequently summarised in the “*Report on the Self-evaluation of the Board of Statutory Auditors*”, which was delivered to the Chair of the Board of Directors on February 05, 2021. A specific paragraph in the “*Report on Corporate Governance and Ownership Structures*” explains the procedures and results of the process.

In connection with the “*Premio Carlo Rosani per i 50 anni dalla fondazione della Società*” (*Carlo Rosani Prize for the 50th anniversary of the foundation of the Company*) incentive plan established in accordance with Art. 114-bis of Italian Legislative Decree no. 58/98 and approved by the competent bodies in FY 2019, which envisages the assignment to managers and executives of the Cembre Group companies identified in advance by the board of directors, of the right to acquire, according to specific conditions, shares in the company at a pre-fixed price, it is acknowledged that during the Board of Directors’ meeting held on March 11, 2020, as envisaged by the related regulation, it was resolved that the performance condition for the assignment of the rights to beneficiaries, had been fulfilled. Over the remainder of time to exercise the plan rights, all those entitled expressed their desire to adhere and, therefore, they were assigned 22,000 shares.

We refer to the Report on Corporate Governance and Ownership Structure for more information on the Company's Corporate Governance, with regard to which the Board has no further observations to report.

18. With regard to the overall evaluation of monitoring activities carried out, the Board can attest that:

- information provided by Directors in the Report on Operations is deemed exhaustive, complete and consistent with resolutions adopted by the Board of Directors and facts represented in the Financial Statements;
- the Report on Operations includes, in addition to the Comparative Consolidated Income Statement and a list of Members of Corporate Boards, information on performance indicators, investments made, environmental management, workplace safety, research and development activities, in addition to reporting detail of main risks and uncertainties connected with the overall economic situation, the market for the Company's products, credit markets, liquidity, interest rates, exchange rates, the integrity and reputation of the Company;
- in the periodic verifications and checks performed on the Company, we did not encounter any atypical or unusual transaction either with third parties, related parties or between Group companies;
- with regard to transactions between Group companies and those with related parties, the Report on Operations and the Notes to the financial statements describe and explain exchanges of goods and services between the Company and its subsidiaries or other related parties, attesting that the same were carried out at market conditions, keeping into account the quality of goods and services exchanged;
- the Report on Remuneration as per article 123-ter Legislative Decree 58/98 and article 84-quarter of Consob Regulation no. 11971/1999 was drawn up, verifying its compliance with the provisions of the law, without any particular observations to report;
- in the field of risk management and financial instruments, the nature and amount of risks were reported;
- the Audit Report does not contain reference to lack of disclosure or related observations and proposals;
- in compliance with articles 123-bis of the TUF and 89-bis of the Consob Issuers' Regulation, we acknowledge that, as it appears in the Report on Corporate Governance and Ownership Structure, the Cembre Group participates and complies with the Corporate Governance Code issued by the Committee for Corporate Governance of listed companies, as integrated

and implemented, through its adoption and compliance with Regulations for STAR segment listed companies;

- the adoption of said Code was verified by the Board of Statutory Auditors and represented the subject, in its various aspects, of the Report on Corporate Governance, to which we refer.

Furthermore, the Board of Statutory Auditors verified that the Company fulfilled its obligations under Legislative Decree no. 254/2016 and that, in particular, has drafted the Consolidated Non-Financial Declaration, in compliance with the provisions of art. 4 of the same decree. Consequently, the Board of Statutory Auditors acknowledges that the Company, possessing the necessary requirements, has availed itself of the option to be exonerated from drafting the individual non-financial declaration, as envisaged by art. 6, paragraph 1 of Italian Legislative Decree 254/2016. The decision was accompanied by the required certifications of the Independent Auditors regarding the compliance of the information provided in the document with the provisions of the mentioned legislative decree with reference to the standards, methods and procedures established for their preparation, also pursuant to Consob Regulation no. 20267 of January 18, 2018. In said Declaration, the Company took into account the impact of the COVID-19 pandemic on the business management and organisational model, on risk management and on non-financial matters. In addition, special attention was paid to social matters and those relating to staff, including aspects relating to health, safety at work, the application of working from home and the related policies implemented in the favour of employees and relations with suppliers.

The Board of Statutory Auditors also attests, pursuant to article 150 of Legislative Decree no. 58/98 and subsequent amendments, that no data or relevant information, omissions, censurable facts, irregularities or in any case significant events worth reporting to relevant Authorities or Supervisory Bodies, or of mention in the present report have emerged.

19. Based on the above, in relation to monitoring activities carried out in the year, the Board of Statutory Auditors has no observation to make or proposal to formulate to the Shareholders' Meeting pursuant to article 153, paragraph 2 of Legislative Decree 58/98.

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The statutory accounts, for which we verified compliance with laws regulating its format and preparation through checks carried out by us, within the limits of our task, as provided by article 149 of Legislative Decree 58/98, and subsequent amendments – having ascertained that no waivers pursuant to article 2423 of the Italian Civil Code were exercised – and information provided by the Independent Auditors, report a net income of €16,455,237, as compared with

a net income of €22,599,654 in the previous year.

The Board of Statutory Auditors therefore deems the Financial Statements at December 31, 2020 and the proposed allocation of net profit for the year submitted by the Board of Directors to be suitable to receive your approval.

With the approval of the financial statements as of December 31, 2020 the three-year term of the Board of Statutory Auditors expires. Concluding our term, we wish to express our gratitude for the ample collaboration received from the management and the administration of the Company which allowed the Board to carry out of its task in the best of manners, even in such a difficult period as has been this characterised by the COVID-19 pandemic emergency. We therefore thank for the trust we have been awarded and we wish the Company to continue successfully in the achievement of the important goals it has set for itself.

Brescia, March 25, 2021

The Board of Statutory Auditors

The Chair

Fabio Longhi



CEMBRE SpA

Via Serenissima, 9 • 25135 Brescia ITALY
Ph +39 030 3692.1 • Fax +39 030 3365766
www.cembre.com • info@cembre.com