



**CEMBRE**

# 2021 ANNUAL FINANCIAL REPORT

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# Cembre S.p.A.

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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 law.  
This document is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.**

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## Report on Operations for the 2021 Financial Year

### Operating Review

The year 2021 marked a sharp recovery in the markets after the heavy contraction experienced in 2020; however, growth was affected by the difficulty of finding raw materials and soaring energy costs, which led to higher prices. In addition, the spread of the Omicron variant has led to an increase in infections and has forced governments, in the last months of the year, to introduce new restrictions on travel, with economic effects, however, less severe than in 2020. The Cembre Group reported 21.7% revenue growth in 2021 compared to 2020, with a turnover of €166.8 million, and 14.0% growth compared to 2019.

The performance of consolidated sales by geographical areas shows 25.8% growth in the Italian market, with sales of €70.4 million. Sales in the rest of Europe grew by 23.0% on the previous year to €78.8 million while sales in the rest of the World were 3.1% higher than in the previous year, reaching €17.7 million. In 2021, sales revenues to the Italian market represented 42.2% of the total (40.8% in 2020), sales to the rest of Europe 47.2% (46.7% in 2020) and sales in the rest of the world represented 10.6% of total sales (12.5% in 2020).

Sales by geographical area:

(euro '000)	2021	2020	Change	2019	2018	2017	2016	2015	2014
Italy	70,406	55,955	25.8%	58,469	59,023	55,576	49,029	48,564	44,100
Rest of Europe	78,772	64,050	23.0%	68,757	62,649	54,319	51,516	52,210	51,204
Rest of the World	17,657	17,132	3.1%	19,070	22,424	22,742	22,060	20,603	17,601
<b>Total</b>	<b>166,835</b>	<b>137,137</b>	<b>21.7%</b>	<b>146,296</b>	<b>144,096</b>	<b>132,637</b>	<b>122,605</b>	<b>121,377</b>	<b>112,905</b>

Revenues by Group company (net of intragroup sales):

(euro '000)	2021	2020	Change	2019	2018	2017	2016	2015	2014
Parent Company	91,708	73,578	24.6%	76,917	77,955	74,966	67,134	65,725	58,554
Cembre Ltd. (UK)	22,633	16,688	35.6%	19,274	18,336	17,468	18,143	19,710	20,577
Cembre S.a.r.l. (F)	11,258	9,557	17.8%	10,654	10,089	9,502	8,976	8,677	8,354
Cembre España S.L.U. (E)	12,471	11,107	12.3%	11,765	10,853	9,549	7,979	8,200	7,016
Cembre GmbH (D)*	18,875	15,587	21.1%	15,149	12,987	8,217	7,866	7,775	7,558
Cembre AS (NOR) <i>Liquidated in 2016</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23	1,080	960

Cembre Inc. (USA)	9,890	10,620	-6.9%	12,537	13,876	12,935	12,484	10,210	9,886
<b>Total</b>	<b>166,835</b>	<b>137,137</b>	<b>21.7%</b>	<b>146,296</b>	<b>144,096</b>	<b>132,637</b>	<b>122,605</b>	<b>121,377</b>	<b>112,905</b>

\* In May 2018, Cembre GmbH had acquired the German company IKUMA KG; in July 2020, said company was merged by incorporation in Cembre GmbH. For said reason, the tables show the 2019 and 2018 data in consolidated form, considering the data of the German companies involved in the merger jointly. It should be noted that the data until 2017, included, concern solely Cembre GmbH.

In 2021, the turnover figures of all Group companies, with the exception of Cembre Inc., recorded increases compared to both 2020 and 2019. The fall in turnover registered by Cembre Inc is connected with the decline in sales to the company's main customer, which suffered serious repercussions from the COVID-19 pandemic in terms of revenues.

Overall, the contribution of subsidiaries to the Group's turnover went from €63.6 million in 2020, equal to an incidence of 46.3%, to €75.1 million in 2021, equal to an impact of 45.0% on consolidated turnover; overall, sales by foreign subsidiaries increased by 18.4% compared to 2020 and 8.3% compared to 2019.

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

(euro '000)	Revenues from sales prior to consolidation								
	2021	2020	Change	2019	2018	2017	2016	2015	2014
Cembre S.p.A.	125,696	101,410	23.9%	108,809	109,068	103,476	94,650	92,616	84,903
Cembre Ltd. (UK)	24,318	18,207	33.6%	21,254	20,937	18,916	19,633	21,130	22,271
Cembre S.a.r.l. (F)	11,532	9,748	18.3%	10,799	10,107	9,509	9,006	8,680	8,423
Cembre España S.L.U. (E)	12,518	11,111	12.7%	11,779	10,860	9,554	7,980	8,216	7,019
Cembre GmbH (D)	19,002	15,662	21.3%	15,237	13,187	8,328	7,960	7,889	7,685
Cembre AS (NOR) <i>Liquidated in 2016</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	198	1,080	960
Cembre Inc. (USA)	9,917	10,663	-7.0%	12,572	13,898	12,962	12,645	10,675	10,052

In 2021, Group companies reported the following results:

(euro '000)	Net result prior to consolidation								
	2021	2020	Change	2019	2018	2017	2016	2015	2014
Cembre S.p.A.	23,420	16,455	42.3%	22,600	21,257	24,444	15,932	14,438	12,202
Cembre Ltd. (UK)	2,113	1,408	50.1%	2,062	1,926	3,743	1,896	2,346	2,603
Cembre S.a.r.l. (F)	(327)	221	- 248.0%	338	545	169	160	277	194
Cembre España S.L.U. (E)	682	491	38.9%	443	585	740	(9)	414	305

Cembre GmbH (D)	1,096	515	112.8%	367	758	508	398	491	303
Cembre AS (NOR) <i>Liquidated in 2016</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(130)	21	69
Cembre Inc. (USA)	705	385	83.1%	666	1,063	863	655	357	561

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)		2021	2020	Change	2019	2018	2017	2016	2015	2014
Cembre Ltd. (UK)	Gbp	20,904	16,198	29.1%	18,656	18,523	16,583	16,089	15,337	17,953
Cembre Inc. (USA)	US\$	11,730	12,179	-3.7%	14,075	16,412	14,643	13,996	11,844	13,354

	Currency	Net result prior to consolidation								
(euro '000)		2021	2020	Change	2019	2018	2017	2016	2015	2014
Cembre Ltd. (UK)	Gbp	1,816	1,253	44.9%	1,810	1,704	3,281	1,554	1,703	2,098
Cembre Inc. (USA)	US\$	834	439	90.0%	833	1,256	975	725	396	746

To provide a better understanding of the Company's financial performance for 2021, a Reclassified Consolidated Income Statement for the previous year e showing percentage changes is enclosed as Attachment 1.

Consolidated gross operating result in the period came to €45,597 thousand, representing a 27.3% margin on sales revenues, up 25.6% on €36,297 thousand in 2020, when it represented a 26.5% margin on sales revenues (+22.9% compared to 2019). The incidence of cost of sales increased compared to 2020, from 30.3% to 33.6%, while the weight of services costs decreased, from 12.4% to 11.9%. Personnel costs also fell from 30.2% to 27.9%. The average number of employees rose from 753 (including 32 employees on short-term contracts) in 2020 to 784 (including 59 employees on short-term contracts) in 2021.

Consolidated operating result amounted to €34,188 thousand, representing a 20.5% margin on sales revenues, up 35.7% on €25,200 thousand in 2020, when it represented a 18.4% margin on sales (+25.8% compared to 2019).

Consolidated pre-tax profit amounted to €34,289 thousand, representing a 20.6% margin on sales, increased 37.7% on €24,902 thousand in 2020, when it represented a 18.2% margin on sales (+27.3% compared to 2019).

Consolidated net result amounted to €25,321 thousand, representing a 15.2% margin on sales, up by 33.4% compared to 2020, when it amounted to €18,975 thousand and represented a 13.8% margin on sales (+16.7% compared to 2019).

The consolidated net financial position went from a surplus of €8.4 million at December 31, 2020 to a surplus of €20.6 million at December 31, 2021.

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

### Investments

Capital expenditure by the Group in 2021 with regard to fixed assets, growth of amortization and depreciation, is broken down as follows:

(euro '000)	2021	2020	Change
Capital expenditure on intangible assets	919	793	126
Capital expenditure on property, plant and equipment	8,072	7,181	891
<b>Total</b>	<b>8,991</b>	<b>7,974</b>	<b>1,017</b>

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

### Results of the Parent Company

Results of the Parent Company in the last three years are shown in the table below:

(euro '000)	2021	%	2020	%	Change 2021-2020	2019	%	Change 2021-2019
Revenue from contracts with customers	125,696	100	101,410	100	23.9%	108,809	100	15.5%
Gross operating profit	38,321	30.5	29,325	28.9	30.7%	30,886	28.4	24.1%
Operating profit	29,128	23.2	20,178	19.9	44.4%	22,657	20.8	28.6%
Pre-tax result	30,984	24.6	21,217	20.9	46.0%	26,750	24.6	15.8%
Net profit/loss for the year	23,420	18.6	16,455	16.2	42.3%	22,600	20.8	3.6%

In 2021, Cembre S.p.A. recognised €1,730 thousand in dividends from its subsidiaries as compared with €1,383 thousand in 2020.

Revenues from sales and services of Cembre S.p.A. were up by 23.9%, from €101,410 thousand in 2020 to €125,696 thousand in 2021. Domestic sales fell by 25.8%, sales to

other European countries (excluding Italy) posted a 22.2% increase; sales in the rest of the world instead increased by 19.5%.

Area (euro '000)	2021	2020	Change
Italy	70,406	55,955	25.8%
Rest of Europe	43,298	35,424	22.2%
Rest of the World	11,992	10,031	19.5%
<b>Total</b>	<b>125,696</b>	<b>101,410</b>	<b>23.9%</b>

### **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)	12/31/2021	12/31/2020
Trade receivables, net	28,164	25,799
Inventories	57,617	50,435
Other non-financial assets	1,901	2,152
Trade payables	(16,245)	(11,588)
Other non-financial liabilities	(13,683)	(10,570)
<b>A) Net current assets (working capital)</b>	<b>57,754</b>	<b>56,228</b>
Property, plant and equipment and investment	85,314	85,735
Intangible fixed assets	4,476	4,392
Goodwill	4,608	4,608
Assets for rights of use on leased assets	5,960	6,653
Deferred tax assets	3,057	2,889
Other non-current assets	86	57



B)	Net fixed assets	103,501	104,334
C)	Non-current assets available for sale	-	-
D)	Employee termination indemnity	1,989	2,178
E)	Provisions for risks and charges	372	265
F)	Deferred tax liabilities	3,371	2,938
G)	Net capital employed (A+B+C-D-E-F)	155,523	155,181
	Financed by:		
H)	Shareholders' equity	176,170	163,589
	Long-term financial payables	4,279	5,010
	Cash and short-term financial receivables	(46,636)	(37,688)
	Short-term financial payables	21,710	24,270
I)	Net Debt/(Availability)	(20,647)	(8,408)
J)	Total sources of funds (H+I)	155,523	155,181

## Shareholders' equity

Consolidation adjustments determined the following differences between the Financial Statements of the Parent Company Cembre S.p.A. at December 31, 2021 and the consolidated accounts at the same date:

(euro '000)	Shareholders' equity	Net Profit
<b>Shareholders' equity and result of the Parent Company</b>	<b>149,605</b>	<b>23,420</b>
Difference between the book value and shareholders' equity and pro-quota result	30,738	4,270
Elimination of intra-group profits included in the value of inventories (*)	(4,225)	(683)
Cembre GmbH product warranty provision reversal (*)	26	4
Intra-group reconciliation	24	109
Cancellation of dividends	-	(1,799)
Netting of intragroup dividends	(10)	-
<b>Shareholders' equity and result of the Group</b>	<b>176,158</b>	<b>25,321</b>

(\*) Net of the related tax effect

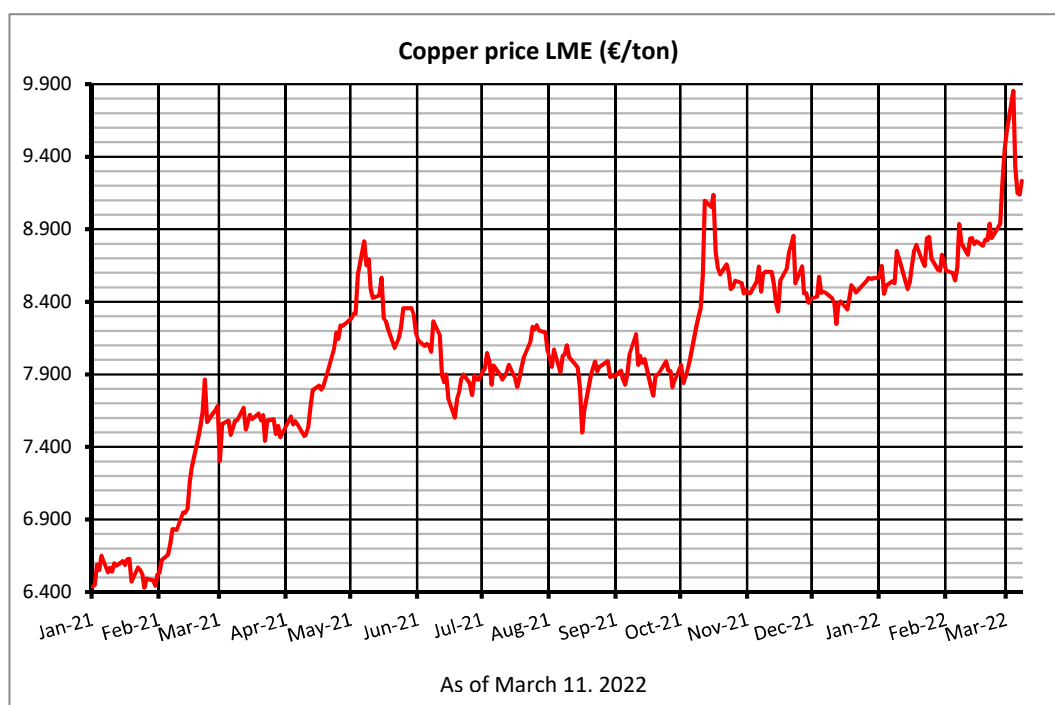
## Main risks and uncertainties

### 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.

Growth in the global economy slowed in the second half of 2021, compared to what had been predicted by the International Monetary Fund. In particular, the advent of the Omicron variant, the persistence of supply chain difficulties and the widespread rise in inflation in Europe and the United States have all had an impact, and these factors have been compounded by the weakness of the Chinese market, linked to the crisis in the construction sector and the fall in public investment. Forecasts for 2022 set global economic growth at 4.4% and take into account travel restrictions following the advent of the Omicron variant, restrictions that are expected to ease from the second quarter of the year. In contrast, the effects of the price increase are expected to be more lasting and should continue into the following year. Estimates for 2023 assume 3.8% growth. Obviously, there are many elements of uncertainty, from possible future developments of the pandemic, to problems in the supply chain and the probable monetary squeeze that inflation could bring about.

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.



The turbulence that has hit the commodities market has also heavily influenced the price of copper, which has reached unprecedented levels. The peak was recorded on October 19 with a price per tonne of €9,137.86, up 42% compared with the value at the beginning

of the year; however, the average price for the year was 44.1% higher than the average price for the previous 10 years. Forecasts by the World Bank and the International Monetary Fund estimate prices to remain at high levels throughout 2022, with a sharper decline expected only from the final months of the year.

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. Regarding considerations on risks arising from the ongoing conflict between Russia and Ukraine, reference should be made to the section "Significant events after the end of the year".

#### **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 also stipulated some time ago, 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, 2021, four fixed rate loans were taken out in the name of the Parent Company Cembre S.p.A., expiring in 2022. 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 UNI EN ISO 45001:2018 standard.

In addition to the certification of its environmental management system, as of April 12, 2021, both Cembre S.p.A. and Cembre Ltd, the Group's two production sites, have obtained safety management system certification in accordance with the most recent regulations.

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 and while using its products;
- guarantee workplace well-being;
- create new and important opportunities for growth by developing synergy between values, economy and productive development.

### 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

		12/31/2021	12/31/2020
<b>ROE</b>	Return on Equity	14.4%	11.6%
<b>ROS</b>	Sales revenues	20.5%	18.4%
<b>ROI</b>	Revenues from ordinary operations	14.4%	11.4%

*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

		12/31/2021	12/31/2020
<b>CR</b>	Current ratio	2.60	2.50
<b>LR</b>	Liquidity ratio	1.49	1.41

*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**

		12/31/2021	12/31/2020
<b>CI</b>	Self-coverage of fixed assets ratio	1.76	1.61
<b>LEV</b>	Debt ratio	1.35	1.35
<b>IN</b>	Debt ratio	25.9%	25.9%

*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 & Development of new products amounted to €146 thousand for Research, while costs relating to Development activities amounted to €432 thousand. External costs amounted to €68 thousand for research and €192 thousand for development.

Below is a brief description of the main projects undertaken in the year. The description, in some cases, will be deliberately lacking in details, because some products are not yet in production and in some cases they are the subject of patent applications still pending.

### **Cable terminals**

There were 55 projects for new products. Each study involved both new connectors and machinery for their manufacturing.

The design and realisation of innovative joints, for cables of different sections, has continued; a first part of them has successfully completed the internal validation tests and is about to start the certification process with an external body.

Production of the series of 18 connector families and their variants for the German market continued throughout 2021. Completion will occur in the first half of 2022.

During the year, the study and realisation of a new family of connectors for use on grounding networks, specifically for the German market, was launched.

A new prototype of cabling dedicated to the railway market has been designed and realised, and is currently being evaluated by some customers.

The study and feasibility analysis of an innovative connector for the photovoltaic industry, which will be specifically manufactured for a high-volume customer, has begun.

### **Railroad equipment**

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

The new screwdriver for the maintenance of the railway network has successfully completed the testing phase in its final configuration and has acquired all the necessary certifications for the reference sector. The machine is therefore about to be officially launched on the market, expanding the range of battery-powered equipment for railways. Three patents were filed for this tool.

The development of a new battery-powered tool for railway maintenance continued, dedicated to the German market, for which new software functions have been evaluated and will be introduced over the next year, which will improve its use and practicality for the end operator. Three patents were filed also for this tool.



The updating of some machines for the railway sector, dedicated to rail cutting, has been completed with the integration of new ecological engines that comply with the most recent regulations regarding polluting emissions.

### **Tools**

The pre-launch of two new electrical terminal compression grippers has taken place. The actual market launch will be completed during the first half of next year. The design of both versions has been filed.

A series of battery-powered tools for connecting electrical terminals is currently being studied and evaluated, aimed at a market area not yet covered by any product. The patent covering the first study has been filed.

Testing and certification of a new clamp for connecting electrical terminals is continuing. A new production process was introduced for the development of this tool, which will also be used for other products.

The creation of the first recycled plastic tool for drilling railway ties has been completed.

### **Cable marking**

There were 48 projects for new products for industrial marking. Studies also included the related manufacturing tools.

The range of consumables to be used with the printers produced by Cembre is constantly expanding, both in terms of shapes and materials, in order to meet the increasingly challenging needs of customers and attack markets not yet covered by Cembre.

The new MG4 thermal transfer printer with innovative features has successfully completed the testing phase and passed the necessary certifications for the reference sector, and is therefore ready to be launched on the market and gradually replace the current MG3. The design of the new MG4 printer has been filed.

### **Pressfit**

Production has started for the new hydraulic tool for the permanent deformation of the ends of multilayer pipes. The product is distributed in a kit that includes all the necessary equipment for processing pipes of different diameters.

**Cable glands**

The project for a new range of products for industrial applications has been approved. This activity will engage the research team for multiple years and will require the development of new skills, both technical and manufacturing.

**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.	3,728	1,800	491	495	53
Leased assets from Borno - Cembre Ltd.	1,476	763	230	213	14

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 2021, 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 by the auditor of the parent company.

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, 2021, the number of own shares held by Cembre S.p.A. was 236,541, corresponding to 1.39% of the capital stock. The shareholders' meeting of Cembre S.p.A. on April 27, 2021, resolved the authorisation to purchase own shares, effective for the 18 months subsequent to the date of the meeting. During the 2021 financial year, no own shares were purchased. The only transaction is related to the assignment of 21,500 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](http://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](http://www.cembre.it) website, under "Reports and Financial Statements".

### **Implications of the Covid-19 pandemic**

The Cembre Group incurred costs of €173 thousand in 2021, 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, serological tests and flu vaccinations for employees, temperature control service at the entrance.

In 2021, the Group's liquidity was not particularly affected by the pandemic, the analysis of receivables did not show any particular criticality. Therefore, it was not deemed necessary to have to change the impairment percentages of commercial assets. The estimates and assumptions used to prepare the financial statement data have not changed.

The Group's operations were undoubtedly more affected by certain indirect effects of the pandemic, in particular the bottleneck in the logistics cycle and the consequent shortage of raw materials and delays in their supply.

In 2021, Cembre S.p.A. maintained its focus on containing any possible risk of spreading contagions among its employees, continuing to systematically apply the protocol developed during the most acute phase of the pandemic. External staff access continued to be extremely limited and strictly regulated, the use of remote work to reduce office attendance continued for much of the year, and staff travel abroad was greatly reduced. Cembre S.p.A. recorded a tax receivable of €10 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 2022.

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

#### Cembre Ltd

During 2021, the pandemic continued to produce effects, even if the Government's action made it possible to mitigate the major damage produced by the restrictions imposed in the first quarter: in this period, Cembre Ltd benefited from a contribution of £20 thousand. Protocols developed in 2020, continued to be implemented and were gradually reduced as infections decreased. There were no pandemic-related credit losses. The prices of raw materials and energy resources rose throughout the year, as did the prices of other Group companies.

#### Cembre Inc.

The pandemic had a major impact on Cembre Inc. operations, affecting every area of the company: sales, workshop, human resources and logistics. Although travel and activity restrictions have been less restrictive than in 2020, there are still limitations at the local and corporate level related to people's vaccination status. Many companies continue to work, at least in part, remotely, or limit access to outside personnel as much as possible,

and the reliability of IT systems has become a key asset. At the end of the year, a surge in contagions hit Cembre Inc. hard, with more than half the workers forced to stay home for an extended period.

Nationally, there is a great difficulty in finding new workers and Cembre Inc. has been no exception. The heaviest effect, however, has been in the area of logistics and goods receiving. Difficulties in transportation, customs clearance times, missed shipments and deliveries have caused delays and problems for both incoming and outgoing goods as well as product availability.

#### Cembre SLU

The company did not receive government grants, as it did not qualify. The company has continued its activities without interruption or recourse to social shock absorbers.

The credit risk as a result of the pandemic has been elevated, so the company has implemented new systems to monitor customer creditworthiness and granted payment extensions.

The main effect on the company was higher prices and longer lead times for certain materials.

#### Cembre GmbH

The development of a detailed health protocol resulted in a dramatic reduction in the effects of the pandemic, compared to what had been budgeted, at both Cembre GmbH locations. Increased infections during the third wave and regulatory changes introduced led to increased prevention costs.

Cembre GmbH did not receive any government grants.

No credit losses were recorded in 2021. Liquidity risk has been minimised thanks to a rapid reminder system and continuous contact with customers.

The warehouse procedures in place have made it possible to cope with the global raw materials crisis and subsequent delivery delays, guaranteeing customers supply without

major disruptions. Higher costs for materials and services made it necessary to increase the price list twice during the year.

### Cembre SARL

The company has not used social shock absorbers and has not received government grants.

There is no particular effect of the pandemic on the company's financial results.

During 2021, the company constantly monitored the risk related to COVID-19 and updated its internal protocol in order to adapt it to the changes introduced by the French government in the national health protocol:

- as of June 14, a requirement for a weekly remote work day was introduced for all job positions for which the following were possible;
- from September 1, a ban on the organisation of events within the company was introduced, as well as measures regarding the use of cars and ventilation of offices, and finally, the possibility for workers to be absent from work for vaccination through a simple communication to the employer;
- as of December 8, the smart working obligation was extended to three to four days, in order to avoid the presence of several people in the same offices.

### **Effects of climate change**

Climate change is one of the biggest challenges facing businesses and institutions in the coming years. At present, it is very difficult to estimate the effects that this process may have in the long term. However, it is possible to begin to make a general assessment of what may be the critical areas of the Group's activity and what solutions may be put in place in order to prevent the most onerous effects of climate change and possible restrictions imposed by governments in an attempt to reverse this dangerous process.

Geographically speaking, the Group's companies are not located in areas that may be subject to extreme climatic events, such as to compromise the continuation of their activities. Over the years, Cembre has always paid particular attention to the safety and

maintenance of its buildings, with an eye also to environmentally friendly solutions, as evidenced, for example, by the investment in the anti-seismic improvement of structures or the use of light paths to improve the natural lighting of offices.

The Group's production process has an extremely limited impact on the environment, as evidenced by the analyses carried out periodically by external bodies; moreover, fixed assets and plants are cyclically renewed, thus ensuring compliance with the latest standards and regulations.

The electrical connection sector, in which the Group operates, could be positively affected by the increasing use of electricity as a driving force. In recent years, the range of battery-powered tools has been increasingly expanding, and now guarantees performances comparable to those of machines with endothermic engines, however with the absence of emissions from combustion. This attention to innovation, also aimed at respecting the sustainability of its offer, makes the risk of a loss of value that would compromise the Group's operations extremely remote.

### **Significant events after year-end**

The war resulting from the Russian invasion of Ukraine represents a dramatic event that will produce negative economic effects both in the markets of countries directly involved in the conflict and indirectly at a global level. The Cembre Group has no significant exposure in these markets and sales to affected areas are not significant. Therefore, the loss of revenues that may be realised in such areas does not represent a reason for concern. There are also no issues related to direct sourcing from these countries. However, the indirect effects of this terrible situation, such as, for example, the increase in the cost of certain raw materials, are not easily foreseeable and could have an impact, albeit not particularly significant, on the Group's economic performance. These consequences are difficult to estimate, given the uncertainty linked to the duration of the war. However, it can reasonably be assumed that the Group's capital structure and the geographical diversification due to its widespread presence in the main world markets will enable it to absorb the indirect effects of this event.



## Outlook

As highlighted by the International Monetary Fund, it is extremely complicated to make reliable forecasts: geopolitical tensions, the evolution of contagions, the dynamics of the prices of materials and services, make the future scenario highly uncertain. In any case, the Cembre Group's consolidated revenues are expected to grow in 2022 and the consolidated economic result is expected to be positive.

## 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 €23,419,786.34 (rounded off to €23,419,786) as follows:

- €1.20 to be distributed to each of the Company's 16,763,459 shares entitled to dividends (taking into account the 236,541 own shares held), for a total of €20,116,150.80, with May 9, 2022 as the ex-dividend date, May 10, 2022 as the record date pursuant to article 83-terdecies of Legislative Decree 58/1998, and May 11, 2022 as dividend payment date;
- the remainder, amounting to €3,303,635.54, 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 as at December 31, 2021.

Attachment 2 Composition of corporate boards.

Brescia, March 14, 2022

**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 2021

## Comparative Consolidated Income Statement

	2021	% of sales	2020	% of sales	Change 2021-2020	2019	% of sales	Change 2021-2019
(€'000)								
Revenues from contracts with customers	166.835	100,0%	137.137	100,0%	21,7%	146.296	100,0%	14,0%
Other revenues	874		793		10,2%	1.027		-14,9%
<b>TOTAL REVENUES</b>	<b>167.709</b>		<b>137.930</b>		<b>21,6%</b>	<b>147.323</b>		<b>13,8%</b>
Cost of goods and merchandise	(60.676)	-36,4%	(41.745)	-30,4%	45,3%	(47.165)	-32,2%	28,6%
Change in inventories	4.553	2,7%	196	0,1%		(217)	-0,1%	
<b>Cost of goods sold</b>	<b>(56.123)</b>	<b>-33,6%</b>	<b>(41.549)</b>	<b>-30,3%</b>	<b>35,1%</b>	<b>(47.382)</b>	<b>-32,4%</b>	<b>18,4%</b>
Cost of services received	(19.826)	-11,9%	(17.003)	-12,4%	16,6%	(20.263)	-13,9%	-2,2%
Lease and rental costs	(206)	-0,1%	(113)	-0,1%	82,3%	(263)	-0,2%	-21,7%
Personnel costs	(46.483)	-27,9%	(41.461)	-30,2%	12,1%	(41.693)	-28,5%	11,5%
Other operating costs	(1.610)	-1,0%	(2.577)	-1,9%	-37,5%	(1.628)	-1,1%	-1,1%
Increase in assets due to internal construction	2.232	1,3%	1.207	0,9%	84,9%	1.055	0,7%	111,6%
Write-down of receivables	(67)	0,0%	(94)	-0,1%	-28,7%	(28)	0,0%	139,3%
Accruals to provisions for risks and charges	(29)	0,0%	(43)	0,0%	-32,6%	(23)	0,0%	26,1%
<b>GROSS OPERATING PROFIT</b>	<b>45.597</b>	<b>27,3%</b>	<b>36.297</b>	<b>26,5%</b>	<b>25,6%</b>	<b>37.098</b>	<b>25,4%</b>	<b>22,9%</b>
Property, plant and equipment depreciation	(8.719)	-5,2%	(8.407)	-6,1%	3,7%	(7.613)	-5,2%	14,5%
Intangible asset amortization	(823)	-0,5%	(842)	-0,6%	-2,3%	(856)	-0,6%	-3,9%
Depreciation of right of use assets	(1.867)	-1,1%	(1.725)	-1,3%	8,2%	(1.448)	-1,0%	28,9%
Write-down of long-term assets	-	0,0%	(123)	-0,1%		-	0,0%	
<b>OPERATING PROFIT</b>	<b>34.188</b>	<b>20,5%</b>	<b>25.200</b>	<b>18,4%</b>	<b>35,7%</b>	<b>27.181</b>	<b>18,6%</b>	<b>25,8%</b>
Financial income	3	0,0%	7	0,0%	-57,1%	7	0,0%	-57,1%
Financial expenses	(103)	-0,1%	(134)	-0,1%	-23,1%	(170)	-0,1%	-39,4%
Foreign exchange gains (losses)	201	0,1%	(171)	-0,1%	-217,5%	(81)	-0,1%	-348,1%
<b>PROFIT BEFORE TAXES</b>	<b>34.289</b>	<b>20,6%</b>	<b>24.902</b>	<b>18,2%</b>	<b>37,7%</b>	<b>26.937</b>	<b>18,4%</b>	<b>27,3%</b>
Income taxes	(8.968)	-5,4%	(5.927)	-4,3%	51,3%	(5.247)	-3,6%	70,9%
<b>NET PROFIT</b>	<b>25.321</b>	<b>15,2%</b>	<b>18.975</b>	<b>13,8%</b>	<b>33,4%</b>	<b>21.690</b>	<b>14,8%</b>	<b>16,7%</b>

## Attachment 2 to the Report on Operations for 2021

### CORPORATE BOARDS

#### Board of Directors

Giovanni Rosani	Chairman and Managing Director
Aldo Bottini Bongrani	Deputy Chairman
Anna Maria Onofri	Director
Sara Rosani	Director
Felice Albertazzi	Director
Franco Celli	Director
Paola Carrara	Independent Director
Elisabetta Ceretti	Independent Director

#### Board of Statutory Auditors

Fabio Longhi	Chairman
Riccardo Astori	Auditor
Rosanna Angela Pilenga	Auditor
Maria Grazia Lizzini	Substitute Auditor
Alessandra Biggi	Substitute Auditor

#### Independent Auditors

EY S.p.A.

This situation is updated at March 14, 2022.

The Board of Directors and Board of Statutory Auditor's term expires with the approval of the Financial Statements at December 31, 2023.

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 Aldo Bottini Bongrani 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, 2021

### Consolidated Statements of Financial Position

ASSETS	Notes	Dec. 31, 2021		Dec. 31, 2020	
(euro '000)			of which: related parties		of which: related parties
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	<b>1</b>	84.501		84.880	
Investment property	<b>2</b>	813		855	
Intangible assets	<b>3</b>	4.476		4.392	
Goodwill	<b>4</b>	4.608		4.608	
Right of use assets	<b>5</b>	5.960	3.218	6.653	3.458
Other investments		5		5	
Other non-current assets	<b>6</b>	81		548	
Deferred tax assets	<b>15</b>	3.057		2.889	
<b>TOTAL NON-CURRENT ASSETS</b>		<b>103.501</b>		<b>104.830</b>	
<b>CURRENT ASSETS</b>					
Inventories	<b>7</b>	57.617		50.435	
Trade receivables	<b>8</b>	28.164		25.799	
Tax receivables	<b>9</b>	683		577	
Other receivables	<b>10</b>	1.218		1.575	
Cash and cash equivalents		46.636		37.688	
<b>TOTAL CURRENT ASSETS</b>		<b>134.318</b>		<b>116.074</b>	
<b>NON-CURRENT ASSETS AVAILABLE FOR SALE</b>		<b>-</b>		<b>-</b>	
<b>TOTAL ASSETS</b>		<b>237.819</b>		<b>220.904</b>	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2021		Dec. 31, 2020	
(euro '000)			of which: related parties		of which: related parties
<b>SHAREHOLDERS' EQUITY</b>					
Capital stock	<b>11</b>	8.840		8.840	
Reserves	<b>11</b>	141.997		135.774	
Net profit		25.321		18.975	
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>176.158</b>		<b>163.589</b>	
<b>NON-CURRENT LIABILITIES</b>					
Non-current financial liabilities	<b>12</b>	4.279	2.563	5.010	3.066
Other non-current payables		-		496	
Employee termination indemnity and other personnel benefits	<b>13</b>	1.989	124	2.178	110
Provisions for risks and charges	<b>14</b>	372		265	
Deferred tax liabilities	<b>15</b>	3.371		2.938	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>10.011</b>		<b>10.887</b>	
<b>CURRENT LIABILITIES</b>					
Current financial liabilities	<b>12</b>	21.710	721	24.270	622
Trade payables	<b>16</b>	16.261		11.588	
Tax payables	<b>17</b>	2.774		1.344	
Other payables	<b>18</b>	10.905		9.226	
<b>TOTAL CURRENT LIABILITIES</b>		<b>51.650</b>		<b>46.428</b>	
<b>LIABILITIES ON ASSETS HELD FOR DISPOSAL</b>		<b>-</b>		<b>-</b>	
<b>TOTAL LIABILITIES</b>		<b>61.661</b>		<b>57.315</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>237.819</b>		<b>220.904</b>	

## Consolidated Financial Statements at December 31, 2021

### Statement of Consolidated Comprehensive Income

	Notes	2021		2020	
		(euro '000)		of which: related parties	
Revenues from contracts with customers	<b>19</b>	166.835		137.137	
Other revenues	<b>20</b>	874		793	
<b>TOTAL REVENUES</b>		<b>167.709</b>		<b>137.930</b>	
Cost of goods and merchandise		(60.676)		(41.745)	
Change in inventories		4.553		196	
Cost of services received	<b>21</b>	(19.826)	(917)	(17.003)	(669)
Lease and rental costs	<b>22</b>	(206)		(113)	
Personnel costs	<b>23</b>	(46.483)	(486)	(41.461)	(538)
Other operating costs	<b>24</b>	(1.610)		(2.577)	
Increase in assets due to internal construction	<b>25</b>	2.232		1.207	
Write-down of receivables	<b>8</b>	(67)		(94)	
Accruals to provisions for risks and charges	<b>26</b>	(29)		(43)	
<b>GROSS OPERATING PROFIT</b>		<b>45.597</b>		<b>36.297</b>	
Property, plant and equipment depreciation	<b>1-2</b>	(8.719)		(8.407)	
Intangible asset amortization	<b>3</b>	(823)		(842)	
Depreciation of right of use assets	<b>5</b>	(1.867)	(708)	(1.725)	(641)
Write-down of long-term assets		-		(123)	
<b>OPERATING PROFIT</b>		<b>34.188</b>		<b>25.200</b>	
Financial income	<b>27</b>	3		7	
Financial expenses	<b>27</b>	(103)	(67)	(134)	(77)
Foreign exchange gains (losses)	<b>36</b>	201		(171)	
<b>PROFIT BEFORE TAXES</b>		<b>34.289</b>		<b>24.902</b>	
Income taxes	<b>28</b>	(8.968)		(5.927)	
<b>NET PROFIT FROM ORDINARY ACTIVITIES</b>		<b>25.321</b>		<b>18.975</b>	
<b>NET PROFIT FROM ASSETS HELD FOR DISPOSAL</b>		<b>-</b>		<b>-</b>	
<b>NET PROFIT</b>		<b>25.321</b>		<b>18.975</b>	
<b>Items that will not be reclassified to profit and loss</b>					
Gains (losses) from discounting of Employees' Termination Indemnity		45		(31)	
Income tax relating to items that will not be reclassified		(11)		7	
<b>Items that may be reclassified subsequently to profit and loss</b>					
Conversion differences included in equity		1.680		(1.380)	
<b>COMPREHENSIVE INCOME</b>	<b>28</b>	<b>27.035</b>		<b>17.571</b>	
<b>BASIC EARNINGS PER SHARE</b>	<b>30</b>	<b>1,51</b>		<b>1,13</b>	
<b>DILUTED EARNINGS PER SHARE</b>	<b>30</b>	<b>1,51</b>		<b>1,13</b>	

## Consolidated Financial Statements at December 31, 2021

### Consolidated Statement of Cash Flows

	2021	2020
€ '000		
<b>A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>37.688</b>	<b>20.983</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the period	25.321	18.975
Depreciation, amortization and write-downs	11.409	10.974
(Gains)/Losses on disposal of assets	38	33
Net change in Employee Termination Indemnity	(189)	(178)
Net change in provisions for risks and charges	107	(13)
<b>Operating profit (loss) before change in working capital</b>	<b>36.686</b>	<b>29.791</b>
(Increase) Decrease in trade receivables	(2.365)	(3.515)
(Increase) Decrease in inventories	(7.182)	393
(Increase) Decrease in other receivables and deferred tax assets	82	289
Increase (Decrease) of trade payables	4.702	632
Increase (Decrease) of other payables, deferred tax liabilities and tax payables	3.542	1.722
<b>Change in working capital</b>	<b>(1.221)</b>	<b>(479)</b>
<b>NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>35.465</b>	<b>29.312</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on fixed assets:		
- intangible	(919)	(793)
- tangible	(8.072)	(7.181)
Proceeds from disposal of tangible, intangible, available-for-sale financial assets		
- intangible	13	-
- tangible	69	218
- financial	-	5
Increase (Decrease) of trade payables for assets	(29)	(1.106)
<b>NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(8.938)</b>	<b>(8.857)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Increase) Decrease in other non current assets	467	465
Increase (Decrease) in other non current payables	(496)	(493)
Increase (Decrease) in bank payables	(2.601)	13.564
Repayment of leasing liabilities	(1.863)	(1.717)
Change in stock option reserve	671	640
Dividends distributed	(15.068)	(15.048)
<b>NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(18.890)</b>	<b>(2.589)</b>
<b>E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)</b>	<b>7.637</b>	<b>17.866</b>
F) Foreign exchange conversion differences	1.277	(1.137)
G) Discounting of Employee Termination Indemnity	34	(24)
<b>H) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (A+E+F+G)</b>	<b>46.636</b>	<b>37.688</b>
Of which: assets held for disposal	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>46.636</b>	<b>37.688</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>46.636</b>	<b>37.688</b>
Current financial liabilities	(21.710)	(24.270)
Non current financial liabilities	(4.279)	(5.010)
<b>NET CONSOLIDATED FINANCIAL POSITION</b>	<b>20.647</b>	<b>8.408</b>
<b>BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		
Cash	11	12
Bank deposits	46.625	37.676
	<b>46.636</b>	<b>37.688</b>



## Consolidated Financial Statements at December 31, 2021

### Statement of Changes in the Consolidated Shareholders' Equity

(€ '000)	Balance at December 31, 2020	Allocation of profit to reserves	Allocation of profit to dividends	Stock options plan: IFRS2 measurement	Stock options plan: Shares assignment	Other changes	Comprehensive income of the period	Balance at December 31, 2021
Capital stock	8.840							8.840
Share premium reserve	12.245							12.245
Legal reserve	1.768							1.768
Reserve for own shares	(4.897)				408			(4.489)
Suspended-tax revaluation reserve	585							585
Other suspended-tax reserves	68							68
Reserve for previous years' profits	22.912	2.771				142	69	25.894
Conversion differences	(2.625)					26	1.611	(988)
Extraordinary reserve	97.186	1.136			20			98.342
Reserve for FTA	3.715							3.715
Reserve for discounting of Employee Termination Indemnity	65						34	99
Merger surplus reserve	4.397							4.397
Stock options reserve	355			219	(213)			361
Retained earnings	-							-
Net profit	18.975	(3.907)	(15.068)				25.321	25.321
<b>Total Shareholders' Equity</b>	<b>163.589</b>	<b>-</b>	<b>(15.068)</b>	<b>219</b>	<b>215</b>	<b>168</b>	<b>27.035</b>	<b>176.158</b>

(€ '000)	Balance at December 31, 2019	Allocation of profit to reserves	Allocation of profit to dividends	Stock options plan: IFRS2 measurement	Stock options plan: Shares assignment	Other changes	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
Reserve for previous years' profits	23.774	(910)				48		22.912
Conversion differences	(1.128)					(117)	(1.380)	(2.625)
Extraordinary reserve	89.565	7.552			69			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			489	(235)			355
Retained earnings	-							-
Net profit	21.690	(6.642)	(15.048)				18.975	18.975
<b>Total Shareholders' Equity</b>	<b>160.426</b>	<b>-</b>	<b>(15.048)</b>	<b>489</b>	<b>220</b>	<b>(69)</b>	<b>17.571</b>	<b>163.589</b>

## Notes to the Consolidated Financial Statements at December 31, 2021

### 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, cable accessories and tools.

Publication of the Consolidated Financial Statements of Cembre for the year ended December 31, 2021 was authorized by a resolution of the Board of Directors dated March 14, 2022.

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.

The following table summarizes the key information:

<b>Company:</b>	Cembre S.p.A.
<b>Domicile:</b>	Brescia, Via Serenissima 9
<b>Corporate Form:</b>	Joint Stock Company
<b>Country:</b>	Italy
<b>Registered Office:</b>	Brescia, Via Serenissima 9
<b>Headquarters:</b>	Brescia, Via Serenissima 9
<b>Activity performed:</b>	Production and marketing of electrical connectors, cable accessories and tools
<b>Parent company:</b>	Lysne S.p.A.

### II. FORM AND CONTENT

These Consolidated Financial Statements at December 31, 2021 were prepared according to the International Financial Reporting Standards (IFRS) adopted by the European Union and the related implementation regulations issued in application of article 9 of Italian Legislative Decree no. 38/2005.

The standards adopted in the preparation of the Financial Statements are those formally endorsed by the European Union and in force as at December 31, 2021.

The consolidated financial statements have been prepared on a Group's going concern basis and in accordance with the historical cost principle, except for those items for which international accounting standards require a different measurement.

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 2021, 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 IFRS 4 – Insurance contracts, deferral of IFRS 9	January 1, 2021
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021
Amendments to IFRS 16 - COVID–19 Related Rent Concessions beyond 30 June 2021	April 1, 2021
Amendments to IAS 37 - Onerous contracts - Cost of fulfilling a contract	January 1, 2022
Amendments to IAS 16 - Property, plant and equipment – Proceeds before intended use	January 1, 2022
Annual improvements 2018-2020	January 1, 2022
IFRS 17 – Insurance contracts	January 1, 2023

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 been issued by the IASB but had not yet been endorsed by the EU. 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 or non-current liabilities	January 1, 2023
Amendments to IAS 8 - Definition of accounting estimates	January 1, 2023

Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IFRS17 – Initial application of IFRS 17 and IFRS 9 - Comparative information	January 1, 2023
Amendments to IAS 1 - Disclosure of accounting policies	January 1, 2023

## Consolidation principles

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.

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

Company	Registered office	Share capital	Share held at 12/31/2021	Share held at 12/31/2020
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%

## 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, drawn from the foreign exchange section of the Bank of Italy's website, are shown in the table below (expressed in currency/€).

Currency	Exchange rate at Dec. 31, 2021	Average exchange rate 2021
British pound	0.84028	0.85960
US dollar	1.13260	1.18274

### 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 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 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 measured 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 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. 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 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.

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 Termination 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 recorded 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 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 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 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).



**Basic and diluted earnings per share**

Basic 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 period.

Diluted earnings per share is determined by dividing the net profit by the weighted average number of shares in circulation in the period, excluding treasury shares, increased by the weighted number of shares that potentially could be added to those in circulation due to the stock option plan.

**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 that are obsolete and slow-moving 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 2021, 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	1.00%
Annual inflation rate	1.75%

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.

2021	ITALY	EUROPE	REST OF WORLD	Intragroup elimination	TOTAL
Revenues					
Sales to customers	91,708	65,237	9,890		166,835
Sales to other Group	34,035	2,133	28	(36,196)	-
Revenues by sector	125,743	67,370	9,918	(36,196)	166,835
Operating result by sector	28,273	5,073	842		34,188
Costs/income not assigned					-
Operating profit					34,188
Net financial losses					101
Income taxes					(8,968)
Net result for the year					25,321

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

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.

	2021	2020
Italy	70,406	55,955
Europe	78,772	64,050
Rest of the world	17,657	17,132
	<b>166,835</b>	<b>137,137</b>

The breakdown of assets and liabilities is shown below:

12/31/2021	ITALY	EUROPE	REST OF WORLD	TOTAL
<b>Assets and Liabilities</b>				
Segment assets	175,900	55,523	10,749	242,172
Consolidation adjustments				(4,353)
<b>Total assets</b>				<b>237,819</b>
Segment liabilities	50,617	9,540	1,688	61,845
Consolidation adjustments				(184)
<b>Total liabilities</b>				<b>61,661</b>
Capital expenditure:				
- Property, plant and equipment	7,545	493	34	8,072
- Intangible assets	873	46	-	919
<b>Total investments</b>				<b>8,991</b>
Depreciation and amortisation:				
- Property, plant and equipment	(7,674)	(869)	(176)	(8,719)
- Intangible assets	(564)	(257)	(2)	(823)
- leased assets	(955)	(636)	(276)	(1,867)
<b>Total amortisation</b>				<b>(11,409)</b>
<b>Accruals to provision for employee benefits</b>	<b>(1,044)</b>	<b>(30)</b>	<b>-</b>	<b>(1,074)</b>
<b>Average no. of employees</b>	<b>508</b>	<b>246</b>	<b>30</b>	<b>784</b>

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

## 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	52,948	79,803	13,447	9,947	2,571	158,716
FTA Revaluation	5,921	-	-	-	-	5,921
Revaluations for tax purposes	934	43	-	-	-	977
Accumulated amortisation	(15,724)	(48,205)	(9,928)	(6,877)	-	(80,734)
<b>Balance at 12/31/2020</b>	<b>44,079</b>	<b>31,641</b>	<b>3,519</b>	<b>3,070</b>	<b>2,571</b>	<b>84,880</b>
Increases	651	4,240	715	689	1,777	8,072
Currency translation differences	162	116	-	55	-	333
Amortisation	(1,277)	(5,674)	(720)	(1,006)	-	(8,677)
Net divestments	(1)	(46)	-	(50)	(10)	(107)
Reclassifications	295	1,095	205	-	(1,595)	-
<b>Balance at 12/31/2021</b>	<b>43,909</b>	<b>31,372</b>	<b>3,719</b>	<b>2,758</b>	<b>2,743</b>	<b>84,501</b>

	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)
<b>Balance at 12/31/2019</b>	<b>43,884</b>	<b>33,900</b>	<b>3,730</b>	<b>2,981</b>	<b>1,935</b>	<b>86,430</b>
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)	-
<b>Balance at 12/31/2020</b>	<b>44,079</b>	<b>31,641</b>	<b>3,519</b>	<b>3,070</b>	<b>2,571</b>	<b>84,880</b>

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

In 2021, Group investments in property, plant and equipment amounted to a total €8,072 thousand, made primarily by the parent company.

Investment in buildings included €266 thousand for seismic upgrading of production sites and €65 thousand for renovation of infirmary and changing rooms; the remainder amount regarded maintenance activities and completion of works carried out in previous years.

The increase in the item "Plant and machinery" is due to investment in fixed assets totalling €397 thousand and investment in production machinery totalling €3,843 thousand.

The item "Assets in progress" includes advances related to assets that will be delivered in 2022 for €913 thousand, in addition to investments made by the Parent Company for €864 thousand for the manufacturing of dies and equipment still in progress.

The British company Cembre Ltd. has invested a total of €443 thousand, primarily in machinery and setting up offices, following the expansion of the area occupied by the company.

## 2. INVESTMENT PROPERTY

	Land and buildings	Plant and Machinery	Other assets	Total
Historical cost	1,591	263	5	1,859
Accumulated amortisation	(739)	(260)	(5)	(1,004)
<b>Balance at 12/31/2020</b>	<b>852</b>	<b>3</b>	<b>-</b>	<b>855</b>
Amortisation	(41)	(1)	-	(42)
<b>Balance at 12/31/2021</b>	<b>811</b>	<b>2</b>	<b>-</b>	<b>813</b>

At December 31, 2021, this item includes only the Calcinate building.

## 3. INTANGIBLE ASSETS

	Development costs	Patents	Software	Trademarks	Other	Work in progress	Total
Historical cost	2,692	858	6,270	495	2,043	209	12,567
Accumulated amortisation	(1,883)	(772)	(4,788)	(132)	(600)	-	(8,175)
<b>Balance at 12/31/2020</b>	<b>809</b>	<b>86</b>	<b>1,482</b>	<b>363</b>	<b>1,443</b>	<b>209</b>	<b>4,392</b>
Increases	625	95	104	-	5	90	919
Currency translation differences	-	-	1	-	-	-	1
Amortisation	(167)	(77)	(331)	(49)	(199)	-	(823)
Net divestments	(13)	-	-	-	-	-	(13)
Reclassifications	-	-	73	-	-	(73)	-
<b>Balance at 12/31/2021</b>	<b>1,254</b>	<b>104</b>	<b>1,329</b>	<b>314</b>	<b>1,249</b>	<b>226</b>	<b>4,476</b>

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

	12/31/2021	12/31/2020	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 December 31, 2021, 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 2022-2025 economic and financial plan of the CGU Germany identified.

The analysis produced the following results:

	Recoverable value	Book value	Difference
CGU Germany	26,190	14,461	11,729

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

The WACC, namely the weighted average cost of capital, used to measure the cash flows was determined as equal to 8.29% (6.59% in 2020), while the long-term growth rate G was assumed to be equal to 0.71% (1.2% in 2020).

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



## Sensitivity Analysis

Upon changing said parameters, the results of the impairment test would vary as follows:

### Value of goodwill

#### Recoverable value

		Long-term growth rate G				
		-0.29%	0.21%	0.71%	1.21%	1.71%
WACC	9.29%	21,193	22,092	23,096	24,224	25,502
	8.79%	22,386	23,404	24,548	25,843	27,321
	8.29%	23,717	24,877	26,190	27,688	29,415
	7.79%	25,212	26,543	28,063	29,813	31,852
	7.29%	26,903	28,444	30,220	32,287	34,725

#### Difference of recoverable value - book value

		Long-term growth rate G				
		-0.29%	0.21%	0.71%	1.21%	1.71%
WACC	9.29%	6,732	7,631	8,635	9,763	11,041
	8.79%	7,925	8,943	10,087	11,382	12,860
	8.29%	9,256	10,416	11,729	13,227	14,954
	7.79%	10,751	12,082	13,602	15,352	17,391
	7.29%	12,442	13,983	15,759	17,826	20,264

## 5. RIGHT OF USE - LEASED ASSETS

	Buildings	Motor vehicles	Total
Historical cost	6,985	2,341	9,326
Accumulated amortisation	(1,627)	(1,046)	(2,673)
<b>Balance at 12/31/2020</b>	<b>5,358</b>	<b>1,295</b>	<b>6,653</b>
Increases/Revaluations	512	538	1,050
Currency translation differences	172	3	175
Amortisation	(1,094)	(773)	(1,867)
Divestments/Write-downs	(9)	(42)	(51)
<b>Balance at 12/31/2021</b>	<b>4,939</b>	<b>1,021</b>	<b>5,960</b>

The increase in the "Buildings" item refers to the execution of a new contract by Cembre Ltd, for a section of the building adjacent to the one previously leased to the company.

## 6. OTHER NON-CURRENT ASSETS

	12/31/2021	12/31/2020	Change
Guarantee deposits	81	52	29
Guarantee loan	-	496	(496)
<b>Total</b>	<b>81</b>	<b>548</b>	<b>(467)</b>

The item "Guarantee loan" included, as at December 31, 2020, the discounted value of the non-current portion of the sum deposited with the notary public upon acquisition of

IKUMA KG. This amount, booked under other non-current payables, was paid to cover the amount due to the company's former shareholders. Said amount was reclassified under current items as it falls due in May 2022.

## 7. INVENTORIES

	12/31/2021	12/31/2020	Change
Raw materials	13,963	12,213	1,750
Work in progress and semi-finished goods	14,454	13,349	1,105
Finished goods	27,088	24,631	2,457
Advances to goods suppliers	2,112	242	1,870
<b>Total</b>	<b>57,617</b>	<b>50,435</b>	<b>7,182</b>

Payments on account to goods suppliers are the result of large orders placed to ensure adequate availability of raw materials and products.

The value of finished goods is adjusted to its presumed realisable value through a provision for slow-moving inventory amounting to €4,467 thousand. Changes in the provision in 2021 are shown in the table that follows:

	2021	2020
<b>Balance at January 1</b>	<b>4,748</b>	<b>4,539</b>
Accruals	493	558
Uses	(550)	(161)
Releases	(356)	(50)
Currency translation differences	132	(138)
<b>Balance at December 31</b>	<b>4,467</b>	<b>4,748</b>

Releases are due to the change in depreciation percentages applied during the analysis of inventory turnover rates to match the actual useful life of the products.

## 8. TRADE RECEIVABLES

	12/31/2021	12/31/2020	Change
Nominal receivables due from customers	28,649	26,256	2,393
Provision for doubtful accounts	(485)	(457)	(28)
<b>Total</b>	<b>28,164</b>	<b>25,799</b>	<b>2,365</b>

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

	12/31/2021	12/31/2020	Change
Italy	13,674	13,782	(108)
Europe	12,995	10,757	2,238
North America	1,207	1,049	158

Oceania	243	265	(22)
Middle East	81	82	(1)
Far East	271	167	104
Africa	178	154	24
<b>Total</b>	<b>28,649</b>	<b>26,256</b>	<b>2,393</b>

Average collection time shortened from 62 days in 2020 to 57 days in 2021.

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

	2021	2020
<b>Balance at January 1</b>	<b>457</b>	<b>473</b>
Accruals	67	94
Uses	(33)	(101)
Releases	(7)	(7)
Currency translation differences	1	(2)
<b>Balance at December 31</b>	<b>485</b>	<b>457</b>

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

Year	Not past due	0-90 days	91-180 days	181-365 days	Over one year	Under litigation	Total
<b>2021</b>	24,246	3,791	408	45	107	52	<b>28,649</b>
<b>2010</b>	23,338	2,467	201	43	136	71	<b>26,256</b>

## 9. TAX RECEIVABLES

	12/31/2021	12/31/2020	Change
Tax receivables	683	577	106

The item includes primarily tax credits related to Cembre S.p.A. amounting to €410 thousand.

## 10. OTHER ASSETS

	12/31/2021	12/31/2020	Change
Receivables from employees	63	67	(4)
VAT and other indirect taxes receivable	-	3	(3)
Advances to suppliers	162	745	(583)
Other	993	760	233
<b>Total</b>	<b>1,218</b>	<b>1,575</b>	<b>(357)</b>

The residual item "Other" includes the value of the current portion of the amount deposited with the notary public upon acquisition of IKUMA KG, for €700 thousand, as a

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, 2021, Cembre S.p.A. held 236,541 treasury shares, corresponding to 1.39% of its share capital. Against these shares the Company recorded €4,489 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, 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. This reserve amounted to €361 thousand at December 31, 2021. Please refer to Note 35 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.

**12. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES**

	Effective interest rate %	Term ending	12/31/2021	12/31/2020
<b>Leasing liabilities - Non-current portion</b>				
Cembre S.p.A.			2,109	2,746
Cembre Ltd.			796	802
Cembre Sarl			41	45
Cembre España SLU			61	56
Cembre GmbH			184	130
Cembre Inc.			1,088	1,231
<b>Total non-current portion</b>			<b>4,279</b>	<b>5,010</b>
<b>NON-CURRENT FINANCIAL LIABILITIES</b>			<b>4,279</b>	<b>5,010</b>

	Effective interest rate %	Term ending	12/31/2021	12/31/2020
<b>Bank loans</b>				
Cembre S.p.A.				
<i>Current portion</i>				
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
Unicredit contract 81152	0.01	Jan-22	4,000	-
Unicredit contract 17994	0.00	Jan-22	5,000	-
BNL contract 10935	0.01	Mar-22	6,000	-
BNL contract 46877	0.00	aug-22	5,000	-
<b>Total current portion</b>			<b>20,000</b>	<b>22,600</b>
<b>Bank charges</b>			<b>-</b>	<b>1</b>
<b>Leasing liabilities - Current portion</b>				
Cembre S.p.A.			857	892
Cembre Ltd.			248	156
Cembre Sarl			62	82
Cembre España SLU			62	41
Cembre GmbH			198	210
Cembre Inc.			283	288
<b>Total current portion</b>			<b>1,710</b>	<b>1,669</b>
<b>CURRENT FINANCIAL LIABILITIES</b>			<b>21,710</b>	<b>24,270</b>

**13. EMPLOYEE TERMINATION INDEMNITY AND OTHER RETIREMENT BENEFITS**

The item includes the Employee Termination 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 indemnity accrued at December 31, 2021 was discounted on the basis of an evaluation made by a registered actuary. For more information, see the paragraph "Use of Estimates" in Chapter "III. Accounting standards and valuation criteria"

	2021	2020
<b>Opening balance</b>	<b>2,178</b>	<b>2,356</b>
Accruals	1,074	900
Uses	(632)	(631)
Social security (INPS) treasury provision	(593)	(493)
Actuarial effect	(38)	46
<b>Closing balance</b>	<b>1,989</b>	<b>2,178</b>

The Treasury provision with the National Social Security Institute (Istituto Nazionale di Previdenza Sociale - INPS) at December 31, 2021 amounted to €8,436 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
<b>At December 31, 2020</b>	<b>195</b>	<b>-</b>	<b>49</b>	<b>21</b>	<b>265</b>
Accruals	29	50	49	-	128
Use	-	-	-	(21)	(21)
<b>At December 31, 2021</b>	<b>224</b>	<b>50</b>	<b>98</b>	<b>-</b>	<b>372</b>

In line with the remuneration policy of Cembre S.p.A., variable compensation based on the achievement of medium-long term targets was introduced in favour of the Chairman and Managing Director. This amount, which is recorded as a cost of services, will be disbursed in 2024 if the targets set by the Board of Directors for 2021-2023 are met.

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.

Given the insignificant effects, these provisions were not discounted.

## 15. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities at December 31, 2021 are summarised as follows:

	12/31/2021	12/31/2020
<b>Deferred tax assets</b>		
Elimination of unrealised intra-group profits in stock	1,635	1,371
Write-down of inventories	571	582
Provision for French personnel costs	71	100
Consulting capitalised by Cembre GmbH	124	124
Provision for doubtful accounts of the Parent Company	80	88
Differences on amortisation and depreciation of Parent Company	277	265
Discounting of employee termination indemnity	43	52
Write-down of Calcinate property	34	34
Other	222	273
<b>Gross deferred tax assets</b>	<b>3,057</b>	<b>2,889</b>
<b>Deferred tax liabilities</b>		
Average cost valuation of inventories by the Parent Company	(551)	(341)
Accelerated depreciation	(406)	(292)
Elimination of German subsidiary product warranty provision	(11)	(9)
Reversal of land depreciation	(24)	(24)
Revaluation of land	(1,652)	(1,652)
Allocation of IKUMA investment purchase price	(572)	(541)
Reversal of amort. of non-competition agreement of former IKUMA directors	(150)	(75)
Other	(5)	(4)
<b>Gross deferred tax liabilities</b>	<b>(3,371)</b>	<b>(2,938)</b>
<b>Net deferred tax assets (liabilities)</b>	<b>(376)</b>	<b>(49)</b>

## 16. TRADE PAYABLES

	12/31/2021	12/31/2020	Change
Trade payables	15,777	11,408	4,369
Advances	484	180	304
<b>Total</b>	<b>16,261</b>	<b>11,588</b>	<b>4,673</b>

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

	12/31/2021	12/31/2020	Change
Italy	12,929	9,302	3,627
Europe	2,345	2,080	265
Far East	498	7	491
North America	2	16	(14)
Other	3	3	
<b>Total</b>	<b>15,777</b>	<b>11,408</b>	<b>4,369</b>

Average payment time slightly increased from 61 days in 2020 to 65 days in 2021.

## 17. TAX PAYABLES

This item exclusively includes income tax payables for the period, net of advances already paid. The increase is related to the higher volume of turnover generated in 2021 compared to 2020.

## 18. OTHER PAYABLES

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

	12/31/2021	12/31/2020	Change
Payables to employees	3,559	2,533	1,026
Employee withholding taxes payable	1,146	1,003	143
VAT and similar foreign taxes payable	1,324	799	525
Commissions payable	403	358	45
Payable to Statutory Auditors	44	44	-
Payables to Directors	274	22	252
Social security payables	3,115	2,581	534
Payables for sundry taxes	156	107	49
Payables to former IKUMA directors	698	498	200
Payables for legal disputes	-	655	(655)
Sundry items	416	797	(381)
Deferrals	(230)	(171)	(59)
<b>Total</b>	<b>10,905</b>	<b>9,226</b>	<b>1,679</b>

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 2022.

The payable for legal disputes arose in 2020 due to a dispute with a UK customer, relating to the malfunctioning of a product developed specifically at its request. The dispute was resolved, following an out-of-court settlement, and the provision was fully utilized in 2021; there were no legal disputes in 2021 that resulted in the Group incurring liabilities.

## 19. REVENUE FROM CONTRACTS WITH CUSTOMERS

In 2021, revenues increased by 21.7% compared to the previous year. A total of 42.2% of Group sales were represented by Italy (25.8% more than in 2020), while sales in the rest of Europe represented 47.2% of total sales (up 23.0% on the previous year). Sales to the



rest of the World grew by 3.1%, representing 10.6% 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:

	2021	2020	Change
Capital gains	27	36	(9)
Use and release of funds	137	7	130
Insurance damages	41	155	(114)
Reimbursements	469	285	184
Other	58	157	(99)
Operating grants	67	153	(86)
Capital grants	75	-	75
<b>Total</b>	<b>874</b>	<b>793</b>	<b>81</b>

Reimbursements relate primarily to transport costs charged to customers. With regard to operating grants, it should be noted that, pursuant to art.1 paragraph 125 of Law 124/2017 (Fulfilment of transparency and publicity obligations), that in 2021 tax credits for €50 thousand were recognised in relation to the research and development activity carried out in the 2020 financial year, tax credits of €10 thousand were also recorded for the sanitization of work environments, finally, grants for €7 thousand were obtained from the Formazienda Fund in relation to training courses provided to the Parent Company's personnel.

With regard to capital grants, it should be noted that these are against a tax credit of €75 thousand for investments made in 2020.

## 21. COST OF SERVICES

The item "costs for services" is broken down as follows:

	2021	2020	Change
Subcontracted work	3,396	3,042	354
Electricity, heating and water	1,958	1,660	298
Transport of goods sold	2,980	2,440	540
Fuel	512	378	134
Travelling expenses	661	557	104
Maintenance and repair	2,372	2,002	370
Consulting	1,815	1,862	(47)

Advertising and promotion	339	146	193
Insurance	714	684	30
Boards' compensation	1,025	668	357
Postage and telephone	386	387	(1)
Commissions	1,112	875	237
Security and cleaning	759	713	46
Bank services	172	166	6
Software licence fees	1,015	728	287
Sundry items	610	695	(85)
<b>Total</b>	<b>19,826</b>	<b>17,003</b>	<b>2,823</b>

The residual item "Sundry items" includes costs for personnel research equal to €282 thousand, in 2020 amounting to €295 thousand.

## 22. LEASES AND RENTALS

The item is broken down as follows:

	2021	2020	Change
Rent and related costs	7	7	-
Vehicle and other leasing	199	106	93
<b>Total</b>	<b>206</b>	<b>113</b>	<b>93</b>

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:

	2021	2020	Change
Wages and salaries	35,296	31,111	4,185
Social security contributions	8,304	7,661	643
Employee termination indemnity	1,467	1,307	160
Retirement benefits	249	198	51
Other costs	1,167	1,184	(17)
<b>Total</b>	<b>46,483</b>	<b>41,461</b>	<b>5,022</b>

Wages and salaries include €2,779 thousand relating to the cost of personnel on short-term contracts, mainly incurred by the Parent Company (€2,656 thousand).

The increase in the item “Other costs” includes the provision in the Reserve for stock options, referred to in Note 11, equal to €219 thousand (€489 thousand in 2020).

Average number of employees by category:

	2021	2020	Change
Managers	22	20	2
White collars	379	377	2
Blue collars	324	324	-
Outsourced personnel	59	32	27
<b>Total</b>	<b>784</b>	<b>753</b>	<b>31</b>

Average number of employees by Group company:

	Managers	White collars	Blue collars	Short-term personnel	Total 2021	Total 2020	Change
Cembre S.p.A.	7	218	227	56	508	486	22
Cembre Ltd.	4	47	59	-	110	104	6
Cembre Sarl	3	25	7	2	37	30	7
Cembre España SLU	1	32	10	1	44	43	1
Cembre Inc.	3	22	5	-	30	34	(4)
Cembre GmbH	4	35	16	-	55	56	(1)
<b>Total</b>	<b>22</b>	<b>379</b>	<b>324</b>	<b>59</b>	<b>784</b>	<b>753</b>	<b>31</b>

## 24. OTHER OPERATING COSTS

The item is broken down as follows:

	2021	2020	Change
Sundry taxes	820	769	51
Losses on receivables	41	220	(179)
Capital losses	65	68	(3)
Donations	32	106	(74)
Legal disputes	-	838	(838)
Other	652	576	76
<b>Total</b>	<b>1,610</b>	<b>2,577</b>	<b>(967)</b>

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

## 25. INCREASES IN FIXED ASSETS FOR INTERNAL WORK

	2021	2020	Change
Increases in fixed assets for internal work	2,232	1,207	1,025

This item represents the amount of costs capitalised by the Parent Company for the construction of equipment and dies built in-house, as well as costs relating to development activities.

## 26. ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES

The item is broken down as follows:

	2021	2020	Change
Customer indemnities	29	22	7
Legal disputes	-	21	(21)
<b>Total</b>	<b>29</b>	<b>43</b>	<b>(14)</b>

## 27. FINANCIAL INCOME (EXPENSE)

	2021	2020	Change
Interest earned on bank account balances	3	7	(4)
<b>Total financial income</b>	<b>3</b>	<b>7</b>	<b>(4)</b>
Loans and bank overdrafts	(5)	(7)	2
Financial charges from discounting of Employee Termination Indemnity	(6)	(15)	9
Lease financial charges	(92)	(105)	13
Other financial charges	-	(7)	7
<b>Total financial charges</b>	<b>(103)</b>	<b>(134)</b>	<b>31</b>
<b>Total financial income (expense)</b>	<b>(100)</b>	<b>(127)</b>	<b>27</b>

## 28. INCOME TAXES

Income taxes are composed as follows:

	2021	2020	Change
Current taxes	(8,628)	(6,014)	(2,614)
Deferred taxes	(242)	(286)	44
Taxes referred to previous years	(114)	-	(114)
Extraordinary income	16	373	(357)
<b>Total</b>	<b>(8,968)</b>	<b>(5,927)</b>	<b>(3,041)</b>

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.

	2021		2020	
	Amount	%	Amount	%
Profit before taxes	34,289		24,901	
<b>Theoretical tax expense</b>	<b>9,567</b>	27.90%	<b>6,948</b>	27.90%
Effect of non-deductible charges	1,520	4.43%	1,213	4.87%
Effect of untaxed income and deductions	(2,051)	-5.98%	(1,535)	-6.16%
Effect of different taxable IRAP	51	0.15%	161	0.65%
Other taxes and deductions	(13)	-0.04%	(388)	-1.56%
Taxes referred to previous years	114	0.33%	-	0.00%
Extraordinary income	(16)	-0.05%	(69)	-0.28%
Effect of other foreign tax rates	(204)	-0.59%	(403)	-1.62%
<b>Total income taxes in the financial statements</b>	<b>8,968</b>	26.15%	<b>5,927</b>	23.80%

At December 31, 2021, 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:

	2021	2020
Elimination of unrealised intra-group profits in stock	264	(395)
Provision for doubtful accounts of the Parent Company	(8)	4
Average cost valuation of inventories by the Parent Company	(210)	43
Accelerated depreciation	(114)	(84)
Write-down of inventories	(11)	(51)
Discounting of employee termination indemnity	2	4
Provision for French subsidiary personnel costs	(29)	(21)
Differences on amortisation and depreciation of Parent Company	12	20
Allocation of IKUMA investment purchase price	(31)	74
Write-down of Calcinate property	-	34
Other	(117)	86
<b>Prepaid/deferred taxes for the period</b>	<b>(242)</b>	<b>(286)</b>

## 29. 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, 2021, 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.

### 30. EARNINGS PER SHARE (BASIC AND DILUTED)

Basic 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 236,541.

Diluted earnings per share is determined by dividing the net profit by the weighted average number of shares in circulation in the period, excluding treasury shares, increased by the weighted number of shares that potentially could be added to those in circulation due to the stock option plan.

	2021	2020
Consolidated net profit	25,321	18,975
No. of ordinary shares ('000)	16,763	16,742
<b>Basic earnings per share</b>	<b>1.51</b>	<b>1.13</b>
Weighted number of shares potentially eligible for allocation	22	22
<b>Diluted earnings per share</b>	<b>1.51</b>	<b>1.13</b>

### 31. DIVIDENDS

On May 19, 2021 (ex-dividend date May 17), dividends were paid in the amount of €15,068 thousand, relating to the allocation of profit for the year 2020, corresponding to €0.90 per share entitled to dividends.

Dividends related to the allocation of the 2021 profit and submitted for approval to the Shareholders' Meeting amounted to €1,20 per share, for a total of €20,116 thousand. This amount was not recorded as a liability.

### 32. COMMITMENTS AND RISKS

	12/31/2021	12/31/2020	Change
Sureties and guarantees given	1,982	1,983	(1)

Commitments at December 31, 2021 included sureties granted by the Parent Company to the Municipality of Brescia amounting to €1,051 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 €480 thousand in guarantees given to the Brescia Customs Authority. The residual guarantees relate to guarantees for supplies granted to electrical and railway companies.

### 33. NET FINANCIAL POSITION

The net financial position of the Group at the year end amounted to a surplus of €20,420 thousand, an increase compared to December 31, 2020.

At the financial statement date, the Group had no outstanding debt involving covenants or negative pledges.

In respect of the “Guidelines on disclosure obligations pursuant to the prospectus regulation” set forth by ESMA, details of the Group’s Net Financial Position are provided below:

		12/31/2021	12/31/2020
A	Cash	11	12
B	Bank deposits	46,625	37,676
<b>C</b>	<b>Cash and cash equivalents (A+B)</b>	<b>46,636</b>	<b>37,688</b>
<b>D</b>	<b>Financial receivables</b>	-	-
E	Current bank payables	(20,000)	(22,601)
F	Current financial leasing liabilities	(1,710)	(1,669)
<b>G</b>	<b>Current financial debt (E+F)</b>	<b>(21,710)</b>	<b>(24,270)</b>
<b>H</b>	<b>Net current financial position (C+D+G)</b>	<b>24,926</b>	<b>13,418</b>
I	Non-current financial leasing liabilities	(4,279)	(5,010)
<b>J</b>	<b>Non-current financial debt (I)</b>	<b>(4,279)</b>	<b>(5,010)</b>
<b>K</b>	<b>Net financial position (H+J)</b>	<b>20,647</b>	<b>8,408</b>

### 34. 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, composed of several units, 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.	3,728	1,800	491	495	53
Leased assets from Borno - Cembre Ltd	1,476	763	230	213	14

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 2021, 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	763
Remuneration as employees	-	366
Other compensation	-	15
Non-monetary benefits	-	19

The item "Remuneration as employees" does not include contributions borne by the Company, amounting to €120 thousand.

Other fees relate to the function performed within the Supervisory Body.

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

### **35. 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, 2021, the second installment of assignment rights was exercised that resulted in a reduction of the reserve for treasury shares equal to €408 thousand, against the assignment of 21,500 shares.

### **36. 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 this risk 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, 2021, 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 2022. 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' Equity	Change Turnover	Change Profit before taxes
Cembre Ltd.	GBP	5% / -5%	(685)/685	(1,045)/1,045	(118)/118
Cembre Inc.	USD	5% / -5%	(465)/465	(586)/586	(50)/50

At December 31, 2021, the effect of foreign-exchange transactions is positive by €201 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.

### **37. SUBSEQUENT EVENTS**

The war triggered by the Russian invasion of Ukraine represents a dramatic event that will produce negative economic effects both in the markets of countries directly involved in the conflict and indirectly at the global level. The Cembre Group has no significant exposure in these markets and sales to affected areas are not significant, therefore the loss of revenues that may be realized in such areas does not represent a reason for concern. There are also no issues related to direct procurement from these countries. However, the indirect effects of this terrible situation, such as, for example, the increase in the cost of certain raw materials, are not easily foreseeable and could have an impact, albeit not particularly significant, on the Group's economic performance. These consequences are difficult to estimate, given the uncertainty linked to the duration of the war. However, it can reasonably be assumed that the Group's capital structure and the geographical diversification due to its widespread presence in the main world markets will enable it to absorb the indirect effects of this event.

Brescia, March 14, 2022

**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 2021 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 2021 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 14, 2022

Manager responsible for the  
preparation of financial reports

*signed by:*  
Claudio Bornati

Chairman and  
Managing Director

*signed by:*  
Giovanni Rosani

## Financial Statements at December 31, 2021

### Statements of financial position

ASSETS	Notes	Dec. 31, 2021		Dec. 31, 2020	
			<i>of which: related parties</i>		<i>of which: related parties</i>
<b>NON CURRENT ASSETS</b>					
Tangible assets	1	73.917.359		74.107.721	
Investment property	2	812.577		855.052	
Intangible assets	3	2.866.649		2.570.257	
Right of use assets	4	2.924.780	2.242.071	3.612.425	2.741.984
Investments in subsidiaries	5	20.909.981		20.909.981	
Other investments	6	5.168		5.168	
Other non-current assets	7	66.379		50.969	
Deferred tax assets	17	1.068.454		996.551	
<b>TOTAL NON-CURRENT ASSETS</b>		<b>102.571.347</b>		<b>103.108.124</b>	
<b>CURRENT ASSETS</b>					
Inventories	8	42.362.288		36.161.308	
Trade receivables	9	16.065.520		15.987.425	
Trade receivables from subsidiaries	10	3.584.659	3.584.659	3.249.382	3.249.382
Financial receivables from subsidiaries		-		168.000	168.000
Tax receivables	11	409.877		34.113	
Other assets	12	109.672		403.517	
Cash and cash equivalents		35.291.377		29.109.198	
<b>TOTAL CURRENT ASSETS</b>		<b>97.823.393</b>		<b>85.112.943</b>	
<b>NON-CURRENT ASSETS AVAILABLE FOR SALE</b>		<b>-</b>		<b>-</b>	
<b>TOTAL ASSETS</b>		<b>200.394.740</b>		<b>188.221.067</b>	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2021		Dec. 31, 2020	
			<i>of which: related parties</i>		<i>of which: related parties</i>
<b>EQUITY</b>					
Capital stock	13	8.840.000		8.840.000	
Reserves	13	117.345.611		115.489.722	
Net profit		23.419.786		16.455.237	
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>149.605.397</b>		<b>140.784.959</b>	
<b>NON-CURRENT LIABILITIES</b>					
Non-current financial liabilities	14	2.108.556	1.799.504	2.746.670	2.294.825
Employee Severance Indemnity and other personnel benefits	15	1.723.044	123.535	1.820.070	109.777
Provisions for risks and charges	16	371.948		244.653	
Deferred tax liabilities	17	2.231.384		2.018.813	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>6.434.932</b>		<b>6.830.206</b>	
<b>CURRENT LIABILITIES</b>					
Current financial liabilities	14	20.857.127	491.458	23.492.214	481.542
Trade payables	18	14.604.793		9.903.219	
Trade payables to subsidiaries	19	172.187	172.187	188.739	188.739
Tax payables	20	2.168.385		1.052.380	
Other Payables	21	6.551.919		5.969.350	
<b>TOTAL CURRENT LIABILITIES</b>		<b>44.354.411</b>		<b>40.605.902</b>	
<b>LIABILITIES ON ASSETS HELD FOR DISPOSAL</b>		<b>-</b>		<b>-</b>	
<b>TOTAL LIABILITIES</b>		<b>50.789.343</b>		<b>47.436.108</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>200.394.740</b>		<b>188.221.067</b>	

## Financial Statements at December 31, 2021

### Statement of comprehensive income

	Notes	Dec. 31, 2021		Dec. 31, 2020	
			of which: related parties		of which: related parties
Revenues from contracts with customers	22	125.695.598	34.034.513	101.409.755	27.831.487
Other revenues	23	1.596.572	1.179.400	1.609.048	1.046.097
<b>TOTAL REVENUES</b>		<b>127.292.170</b>		<b>103.018.803</b>	
Cost of goods and merchandise	24	(49.253.629)	(635.068)	(32.841.774)	(402.231)
Change in inventories	8	4.758.374		97.335	
Cost of services received	25	(15.028.657)	(1.281.768)	(12.603.400)	(915.434)
Lease and rental costs	26	(68.940)		(51.139)	
Personnel costs	27	(30.425.400)	(753.734)	(27.774.224)	(927.662)
Other operating costs	28	(1.152.588)	(1.053)	(1.652.270)	(110.180)
Increase in assets due to internal construction	29	2.232.238		1.206.914	
Write-down of receivables	9	(3.378)		(52.741)	
Accruals to provisions for risks and charges	30	(28.785)		(22.107)	
<b>GROSS OPERATING PROFIT</b>		<b>38.321.405</b>		<b>29.325.397</b>	
Tangible asset depreciation	1-2	(7.674.284)		(7.479.628)	
Intangible asset amortization	3	(564.030)		(585.585)	
Depreciation of right of use assets	4	(954.776)	(494.552)	(959.588)	(496.006)
Write-down of long-term assets		-		(122.877)	
<b>OPERATING PROFIT</b>		<b>29.128.315</b>		<b>20.177.719</b>	
Financial income	31	1.732.456	1.729.921	1.388.202	1.382.557
Financial expenses	31	(68.494)	(53.058)	(98.082)	(63.272)
Foreign exchange gains (losses)	32	191.439		(250.798)	
<b>PROFIT BEFORE TAXES</b>		<b>30.983.716</b>		<b>21.217.041</b>	
Income taxes	33	(7.563.930)		(4.761.804)	
<b>NET PROFIT FROM ORDINARY ACTIVITIES</b>		<b>23.419.786</b>		<b>16.455.237</b>	
<b>NET PROFIT FROM ASSETS HELD FOR DISPOSAL</b>		<b>-</b>		<b>-</b>	
<b>NET PROFIT</b>		<b>23.419.786</b>		<b>16.455.237</b>	
<b>Items that will not be reclassified to profit and loss</b>					
Gains (losses) from discounting of Employees' Termination Indemnity		44.651		(31.027)	
Income tax relating to items that will not be reclassified		(10.716)		7.447	
<b>COMPREHENSIVE INCOME</b>	34	<b>23.453.721</b>		<b>16.431.657</b>	

## Financial Statements at December 31, 2021

### Statement of Cash Flows

	2021	2020
<b>A) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>29.109.198</b>	<b>15.529.281</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the year	23.419.786	16.455.237
Depreciation, amortization and write-downs	9.193.090	9.024.801
(Gains)/Losses on disposal of assets	36.034	47.106
Net change in Employee Severance Indemnity	(97.026)	(105.415)
Net change in provisions for risks and charges	127.295	(33.481)
<b>Operating profit (loss) before change in working capital</b>	<b>32.679.179</b>	<b>25.388.248</b>
(Increase) Decrease in trade receivables	(413.372)	(3.477.288)
(Increase) Decrease in inventories	(6.200.980)	(97.335)
(Increase) Decrease in other receivables and deferred tax assets	(154.031)	123.790
Increase (Decrease) of trade payables	4.714.182	(139.416)
Increase (Decrease) of other payables and deferred tax liabilities	1.911.145	1.265.099
<b>Change in working capital</b>	<b>(143.056)</b>	<b>(2.325.150)</b>
<b>NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>32.536.123</b>	<b>23.063.098</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on fixed assets:		
- intangible	(873.303)	(790.433)
- tangible	(7.544.864)	(5.838.049)
Proceeds from disposal of tangible, intangible, financial assets		
- intangible	12.881	864
- tangible	67.383	179.641
- financial	-	5.165
Increase (Decrease) of trade payables for assets	(29.160)	(1.106.123)
<b>NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(8.367.063)</b>	<b>(7.548.935)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Increase) Decrease in other non current assets	(15.410)	(28.180)
(Increase) Decrease of financial receivables	168.000	(168.000)
Increase (Decrease) in bank loans and borrowings	(2.600.204)	13.563.998
Repayment of lease liabilities	(939.919)	(939.070)
Change in reserve for own shares	434.480	708.550
Dividends distributed	(15.067.763)	(15.047.963)
<b>NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(18.020.816)</b>	<b>(1.910.665)</b>
<b>E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)</b>	<b>6.148.244</b>	<b>13.603.498</b>
F) Discounting of employees' termination indemnities	33.935	(23.580)
<b>G) CASH AND CASH EQUIVALENTS AT END OF YEAR (A+E+F)</b>	<b>35.291.377</b>	<b>29.109.198</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>35.291.377</b>	<b>29.109.198</b>
Financial receivables from subsidiaries	-	168.000
Current financial liabilities	(20.857.127)	(23.492.214)
Non current financial liabilities	(2.108.556)	(2.746.670)
<b>NET FINANCIAL POSITION</b>	<b>12.325.694</b>	<b>3.038.314</b>
<b>BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
Cash	5.500	5.311
Banks	35.285.877	29.103.887
	<b>35.291.377</b>	<b>29.109.198</b>



## Financial Statements at December 31, 2021

### Statement of Changes in the Shareholders' Equity

	Balance at December 31, 2020	Allocation of profit to reserves	Allocation of profit to dividends	Stock options plan: IFRS2 measurement	Stock options plan: Shares assignment	Comprehensive income of the period	Balance at December 31, 2021
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	(4.897.413)				408.053		(4.489.360)
Suspended-tax revaluation reserve	585.159						585.159
Other suspended-tax reserves	68.412						68.412
Extraordinary reserve	96.852.851	1.387.474			20.442		98.260.767
Reserve for FTA	4.051.204						4.051.204
Reserve for discounting of Employee Termination Indemnity	64.664					33.935	98.599
Merger surplus reserve	4.397.138						4.397.138
Stock options reserve	354.838			219.480	(213.495)		360.823
Retained earnings	-						-
Net profit	16.455.237	(1.387.474)	(15.067.763)			23.419.786	23.419.786
<b>Total Shareholders' Equity</b>	<b>140.784.959</b>	<b>-</b>	<b>(15.067.763)</b>	<b>219.480</b>	<b>215.000</b>	<b>23.453.721</b>	<b>149.605.397</b>

	Balance at December 31, 2019	Allocation of profit to reserves	Allocation of profit to dividends	Stock options plan: IFRS2 measurement	Stock options plan: Shares assignment	Comprehensive income of the period	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			488.550	(234.740)		354.838
Retained earnings	-						-
Net profit	22.599.654	(7.551.691)	(15.047.963)			16.455.237	16.455.237
<b>Total Shareholders' Equity</b>	<b>138.692.715</b>	<b>-</b>	<b>(15.047.963)</b>	<b>488.550</b>	<b>220.000</b>	<b>16.431.657</b>	<b>140.784.959</b>

## **Notes to the Financial Statements of Cembre S.p.A. at December 31, 2021**

### **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, 2021 was authorized by a resolution of the Board of Directors dated March 14, 2022.

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

### **II. FORM AND CONTENT**

The Financial Statements at December 31, 2021 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 endorsed by the European Union and in force as at December 31, 2021.

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, 2021 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 2021, which were taken into account, where applicable, in the preparation of the present Financial Statements.

Description	Effective from
Amendments to IFRS 4 – Insurance contracts, deferral of IFRS 9	January 1, 2021
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021
Amendments to IFRS 16 - COVID–19 Related Rent Concessions beyond 30 June 2021	April 1, 2021
Amendments to IAS 37 - Onerous contracts - Cost of fulfilling a contract	January 1, 2022
Amendments to IAS 16 - Property, plant and equipment – Proceeds before intended use	January 1, 2022
Annual improvements 2018-2020	January 1, 2022
IFRS 17 – Insurance contracts	January 1, 2023

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 by IASB but had still been endorsed by the EU. 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 or non-current liabilities	January 1, 2023
Amendments to IAS 8 - Definition of accounting estimates	January 1, 2023
Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IFRS17 – Initial application of IFRS 17 and IFRS 9 - Comparative information	January 1, 2023
Amendments to IAS 1 - Disclosure of accounting policies	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

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- 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 the revised IAS 19, and before the reform introduced by the 2007 Budget Law, the Employee Termination 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).

### **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 that are obsolete and slow-moving 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 "Montecarlo" 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 2021, 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	1.00%
Annual inflation rate	1.75%

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	49,979,692	74,855,918	13,014,883	5,456,198	2,571,283	145,877,973
Accumulated depreciation	(13,362,342)	(44,978,670)	(9,577,736)	(3,851,505)	-	(71,770,252)
<b>Balance at 12/31/2020</b>	<b>36,617,350</b>	<b>29,877,248</b>	<b>3,437,147</b>	<b>1,604,693</b>	<b>2,571,283</b>	<b>74,107,721</b>
Increases	642,553	4,067,413	714,609	343,005	1,777,284	7,544,864
Depreciation	(1,118,427)	(5,317,767)	(699,761)	(495,854)	-	(7,631,809)
Net divestments	-	(45,691)	-	(46,344)	(11,382)	(103,417)
Reclassifications	294,663	1,094,594	204,797	-	(1,594,054)	-
<b>Balance at 12/31/2021</b>	<b>36,436,139</b>	<b>29,675,797</b>	<b>3,656,792</b>	<b>1,405,500</b>	<b>2,743,131</b>	<b>73,917,359</b>

	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 depreciation	(12,283,111)	(40,947,718)	(8,963,379)	(3,648,443)	-	(65,842,650)
<b>Balance at 12/31/2019</b>	<b>36,287,360</b>	<b>32,369,156</b>	<b>3,563,763</b>	<b>1,651,850</b>	<b>1,935,192</b>	<b>75,807,321</b>
Increases	1,076,218	2,291,447	479,447	470,042	1,520,895	5,838,049
Depreciation	(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)	-
<b>Balance at 12/31/2020</b>	<b>36,617,350</b>	<b>29,877,248</b>	<b>3,437,147</b>	<b>1,604,693</b>	<b>2,571,283</b>	<b>74,107,721</b>

The volume of capital expenditure by Cembre S.p.A. in 2021 amounted to €7,545 thousand. Investment in buildings included €266 thousand for seismic upgrading of production sites and €65 thousand for renovation of infirmary and changing rooms; the remainder amount regarded maintenance activities and completion of works carried out in previous years. In the item "Plant and machinery", the increases are made up of investments in fixed assets for €397 thousand and investments in machinery and production equipment totalling €3,670 thousand euros.

The item "Assets in progress" includes an increase in equipment and dies totalling €864 thousand and advances paid during the period for the supply of fixed assets for €913 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, 2021 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
<b>Total</b>	<b>227</b>	<b>277,679</b>	<b>687,441</b>	<b>965,347</b>

## 2. INVESTMENT PROPERTY

	Land and buildings	Plant and Machinery	Other assets	Total
Historical cost	1,590,520	263,005	5,322	1,858,847
Accumulated depreciation	(739,303)	(259,170)	(5,322)	(1,003,795)
<b>Balance at 12/31/2020</b>	<b>851,217</b>	<b>3,835</b>	<b>-</b>	<b>855,052</b>
Depreciation	(40,714)	(1,761)	-	(42,475)
<b>Balance at 12/31/2021</b>	<b>810,503</b>	<b>2,074</b>	<b>-</b>	<b>812,577</b>

At December 31, 2021, this item includes only the building in Calcinate (BG).

## 3. INTANGIBLE ASSETS

	Development costs	Patents	Software	Other int. assets	Work in progress	Total
Historical cost	2,691,132	859,377	6,132,531	77,545	209,200	9,969,785
Accumulated amortisation	(1,881,815)	(773,948)	(4,668,260)	(75,505)	-	(7,399,528)
<b>Balance at 12/31/2020</b>	<b>809,317</b>	<b>85,429</b>	<b>1,464,271</b>	<b>2,040</b>	<b>209,200</b>	<b>2,570,257</b>
Increases	624,517	95,407	57,983	5,400	89,997	873,304
Amortisation	(167,024)	(76,856)	(318,110)	(2,040)	-	(564,030)
Net divestments	(12,882)	-	-	-	-	(12,882)
Reclassifications	-	-	73,000	-	(73,000)	-
<b>Balance at 12/31/2021</b>	<b>1,253,928</b>	<b>103,980</b>	<b>1,277,144</b>	<b>5,400</b>	<b>226,197</b>	<b>2,866,649</b>

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	3,895,112	1,408,705	5,303,817
Accumulated depreciation	(1,035,865)	(655,527)	(1,691,392)
<b>Balance at 12/31/2020</b>	<b>2,859,247</b>	<b>753,178</b>	<b>3,612,425</b>
Increases/Revaluations	4,783	313,830	318,613
Depreciation	(524,397)	(430,379)	(954,776)
Divestments/Write-downs	(8,988)	(42,494)	(51,482)
<b>Balance at 12/31/2021</b>	<b>2,330,645</b>	<b>594,135</b>	<b>2,924,780</b>

Increases in the "Vehicles" item are part of the normal process of replacing and expanding the vehicle fleet.

## 5. INVESTMENTS IN SUBSIDIARIES

	12/31/2020	Change	Write-downs	12/31/2021
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
<b>Total</b>	<b>20,909,981</b>	<b>-</b>	<b>-</b>	<b>20,909,981</b>

The following information is provided with regard to investments in direct subsidiaries as at December 31, 2021, expressed in Euro:

Company and registered office	Share capital capital	Shareholders' profit	Net profit	%
Cembre Ltd. (Sutton Coldfield - Birmingham)	2,023,134	16,305,225	2,113,103	100
Cembre Sarl (Morangis - Paris)	1,071,000	2,959,526	(326,729)	100
Cembre España SLU (Torrejon - Madrid)	2,902,200	7,268,802	682,131	100
Cembre GmbH (Monaco - Germany)	10,112,000	16,910,759	1,096,448	100
Cembre Inc. (Edison - New Jersey - Usa)	1,271,411	8,203,795	705,098	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.

## 6. OTHER INVESTMENTS

	12/31/2021	12/31/2020	Change
Conai	59	59	-
A.Q.M. S.r.l.	5,109	5,109	-
<b>Total</b>	<b>5,168</b>	<b>5,168</b>	<b>-</b>

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.

## 7. OTHER NON-CURRENT ASSETS

These solely include guarantee deposits.

## 8. INVENTORIES

	12/31/2021	12/31/2020	Change
Raw materials	12,161,851	10,644,815	1,517,036
Work in progress and semi-finished goods	14,454,262	13,349,263	1,104,999
Finished goods	14,303,569	12,167,230	2,136,339
Advances to goods suppliers	1,442,606	-	1,442,606
<b>Total</b>	<b>42,362,288</b>	<b>36,161,308</b>	<b>6,200,980</b>

Payments on account to goods suppliers are the result of large orders placed to ensure adequate availability of raw materials and products.

The value of finished goods was decreased to its expected realisable value through the provision for finished goods, amounting to approximately to €1,697 thousand. Changes in the provision in 2021 were as follows:

	2021	2020
<b>Provision at January 1</b>	<b>1,777,327</b>	<b>1,573,812</b>
Accruals	469,442	203,515
Uses	(550,180)	-
<b>Balance at December 31</b>	<b>1,696,589</b>	<b>1,777,327</b>

## 9. TRADE RECEIVABLES

	12/31/2021	12/31/2020	Change
Gross trade receivables	16,402,328	16,354,381	47,947
Provision for doubtful accounts	(336,808)	(366,956)	30,148
<b>Total</b>	<b>16,065,520</b>	<b>15,987,425</b>	<b>78,095</b>

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

	12/31/2021	12/31/2020	Change
Italy	13,674	13,782	(108)
Europe	1,910	1,752	158
North America	45	152	(107)
Oceania	243	265	(22)
Middle East	81	82	(1)
Far East	271	167	104
Africa	178	154	24
<b>Total</b>	<b>16,402</b>	<b>16,354</b>	<b>48</b>

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 shortened from 70 days in 2020 to 55 days in 2021.

The provision for doubtful accounts changed as follows:

	2021	2020
<b>Provision at January 1</b>	<b>366,956</b>	<b>338,673</b>
Accruals	3,378	52,741
Uses	(33,526)	(24,458)
<b>Balance at December 31</b>	<b>336,808</b>	<b>366,956</b>

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
<b>2021</b>	15,149	1,076	75	25	26	51	<b>16,402</b>
<b>2020</b>	15,329	764	140	16	42	63	<b>16,354</b>

## 10. TRADE RECEIVABLES FROM SUBSIDIARIES

Trade receivables from the following companies:

	12/31/2021	12/31/2020	Change
Cembre Ltd. (UK)	1,250,125	1,162,110	88,015
Cembre S.a.r.l. (France)	744,869	585,332	159,537
Cembre España SLU (Spain)	614,344	812,730	(198,386)
Cembre GmbH (Germany)	117,679	112,841	4,838
Cembre Inc. (US)	857,642	576,369	281,273
<b>Total</b>	<b>3,584,659</b>	<b>3,249,382</b>	<b>335,277</b>

## 11. TAX RECEIVABLES

	12/31/2021	12/31/2020	Change
Receivables for IRES refunds on IRAP	3,394	3,394	-
Tax credits for R&D activities	49,970	-	49,970
Tax credit for investments	355,286	-	355,286
Reimbursements	1,227	30,719	(29,492)
<b>Total</b>	<b>409,877</b>	<b>34,113</b>	<b>375,764</b>

## 12. OTHER ASSETS

	12/31/2021	12/31/2020	Change
Advances to suppliers	30,623	283,699	(253,076)
Receivables from employees	24,632	21,442	3,190
Other	54,417	98,376	(43,959)
<b>Total</b>	<b>109,672</b>	<b>403,517</b>	<b>(293,845)</b>

## 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, 2021, Cembre S.p.A. held 236,541 treasury shares, corresponding to 1.39% of its share capital. Against these shares the Company recorded €4,489 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, 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. This reserve amounted to €361 thousand at December 31, 2021. For further details, reference is made to Note 39.

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	(4,489,360)		---
Stock options reserve	360,823		---
Profit reserves:			
Legal reserve	1,768,000	B	---
First time application of IAS/IFRS reserve	4,051,204	B	---
Discounting of employee termination indemnities	98,599	B	---
Merger differences	4,397,137	A B C	4,397,137
Extraordinary reserve	98,260,768	A B C	98,260,768
<b>Total</b>	<b>126,185,611</b>		<b>114,902,774</b>
		Non-distributable portion	1,279,853
		Residual distributable portion	113,622,921

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	12/31/2021	12/31/2020
Leasing liabilities - Non-current portion			2,108,556	2,746,670
<b>NON-CURRENT FINANCIAL LIABILITIES</b>			<b>2,108,556</b>	<b>2,746,670</b>
<b>Bank loans</b>				
<i>Current portion</i>				
Banca Intesa contract 11320	0.03	Sept-21	-	3,600,000
Unicredit contract 47122	0.01	Apr-21	-	4,000,000
BNL contract 76900	0.01	Oct-21	-	5,000,000
BNL contract 38656	0.01	Jan-21	-	10,000,000
Unicredit contract 81152	0.01	Jan-22	4,000,000	-
Unicredit contract 17994	0.00	Jan-22	5,000,000	-
BNL contract 10935	0.01	Mar-22	6,000,000	-
BNL contract 46877	0.00	Aug-22	5,000,000	-
<b>Total current portion</b>			<b>20,000,000</b>	<b>22,600,000</b>
<b>Bank charges</b>			<b>439</b>	<b>644</b>
<b>Leasing liabilities - Current portion</b>			<b>856,688</b>	<b>891,570</b>
<b>CURRENT FINANCIAL LIABILITIES</b>			<b>20,857,127</b>	<b>23,492,214</b>

**15. EMPLOYEE TERMINATION INDEMNITY AND OTHER PERSONNEL BENEFITS**

Employee Termination Indemnity showed the following changes:

	2021	2020
<b>Provision at January 1</b>	<b>1,820,070</b>	<b>1,925,485</b>
Accruals	1,044,440	849,441
Uses	(510,106)	(507,973)
Actuarial effect	(38,322)	45,835
Social security (INPS) treasury provision	(593,038)	(492,718)
<b>Balance at December 31</b>	<b>1,723,044</b>	<b>1,820,070</b>

The INPS' treasury account at December 31, 2021 amounted to €8,436 thousand.

The employee termination indemnity set aside at December 31, 2021 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	12/31/2021	12/31/2020
0.5%	1,692,580	1,745,215
-0.5%	1,837,520	1,902,467

## 16. PROVISIONS FOR RISKS AND CHARGES

	Supplementary customer allowances	Directors' compensation	Employee incentives	Total
<b>At December 31, 2020</b>	<b>196,143</b>	<b>-</b>	<b>48,510</b>	<b>244,653</b>
Accruals	28,785	50,000	48,510	127,295
<b>At December 31, 2021</b>	<b>224,928</b>	<b>50,000</b>	<b>97,020</b>	<b>371,948</b>

In line with the remuneration policy of Cembre S.p.A., variable compensation based on the achievement of medium-long term targets was introduced in favour of the Chairman and Managing Director. This amount will be paid out in 2024 contingent on the achievement of objectives set for financial years 2021-2023 by the Board of Directors. The amount of the accrual against the possible variable compensation of Directors is recorded among the cost of services.

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.

Given the modest value, all amounts set aside, in the various funds, have not been discounted.

## 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.



	12/31/2021	12/31/2020	Change
<b>Deferred tax assets</b>			
Write-down of inventories	420,070	439,447	(19,377)
Provision for doubtful accounts	80,023	88,069	(8,046)
Differences on depreciation	277,423	264,860	12,563
Discounting of employee termination indemnity	42,673	51,871	(9,198)
Write-down of Calcinate property	34,283	34,283	-
Other	213,982	118,021	95,961
<b>Gross deferred tax assets</b>	<b>1,068,454</b>	<b>996,551</b>	<b>71,903</b>
<b>Deferred tax liabilities</b>			
Average cost valuation of inventories	(550,864)	(340,847)	(210,017)
Reversal of land depreciation	(24,017)	(24,017)	-
Revaluation of land	(1,651,933)	(1,651,933)	-
Discounting of employee termination indemnity	(4,570)	-	(4,570)
Dividends not collected	-	(2,016)	2,016
<b>Gross deferred tax liabilities</b>	<b>(2,231,384)</b>	<b>(2,018,813)</b>	<b>(212,571)</b>
<b>Net deferred tax liabilities</b>	<b>(1,162,930)</b>	<b>(1,022,262)</b>	<b>(140,668)</b>

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

## 18. TRADE PAYABLES

	12/31/2021	12/31/2020	Change
Trade payables	14,576,949	9,891,584	4,685,365
Advances	27,844	11,635	16,209
<b>Total</b>	<b>14,604,793</b>	<b>9,903,219</b>	<b>4,701,574</b>

“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:

	12/31/2021	12/31/2020	Change
Italy	13,035	9,304	3,731
Europe	1,040	562	478
Far East	498	7	491
Other	4	19	(15)
<b>Total</b>	<b>14,577</b>	<b>9,892</b>	<b>4,685</b>

At December 31, 2021, 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
<b>2021</b>	Past due	1,361	157	427	262	556	2,763
	Falling due	3,284	7,815	687	28	-	11,814
<b>2020</b>	Past due	1,264	224	80	3	320	1,891
	Falling due	2,060	5,088	759	84	10	8,001

Average payment time slightly increased from 66 days in 2020 to 75 days in 2021, a purely algebraic effect due to higher purchase volumes during the year.

## 19. TRADE PAYABLES TO SUBSIDIARIES

The balance of trade payables is to the following subsidiaries:

	12/31/2021	12/31/2020	Change
Cembre Ltd (UK)	93,821	121,675	(27,854)
Cembre S.a.r.l. (France)	2,423	1,031	1,392
Cembre GmbH (Germany)	34,090	44,200	(10,110)
Cembre España S.L.U. (Spain)	31,258	7,800	23,458
Cembre Inc. (US)	10,595	14,033.00	(3,438)
<b>Total</b>	<b>172,187</b>	<b>188,739</b>	<b>(16,552)</b>

## 20. TAX PAYABLES

This item exclusively includes income tax payables for the period, net of advances already paid. The increase is related to the higher volume of turnover generated in 2021 compared to 2020.

## 21. OTHER PAYABLES

The item is broken down as follows:

	12/31/2021	12/31/2020	Change
Payables to employees	2,249,517	1,921,964	327,553
Employee withholding taxes payable	1,137,277	992,339	144,938
Social security payables	2,494,255	2,199,924	294,331
Commissions payable	403,146	358,469	44,677
Payables to Directors	274,144	-	274,144
Payable to Statutory Auditors	43,680	43,680	-
Payable on sundry taxes and withholdings	55,491	21,111	34,380

VAT Payables	54,472	116,800	(62,328)
Legal disputes	-	468,159	(468,159)
Sundry items	66,452	63,777	2,675
Deferrals	(226,515)	(216,873)	(9,642)
<b>Total</b>	<b>6,551,919</b>	<b>5,969,350</b>	<b>582,569</b>

The liability for legal disputes, recorded in the financial statements for the FY2020, arose from the resolution of an out-of-court settlement with a British customer relating to operating problems of a product developed specifically at its request. In 2021, there were no legal disputes that resulted in the incurrence of liabilities by Cembre S.p.A.

## 22. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2021	2020	Change
Italy	70,405,518	55,954,914	14,450,604
Rest of Europe	43,298,126	35,423,828	7,874,298
Rest of the World	11,991,954	10,031,013	1,960,941
<b>Total</b>	<b>125,695,598</b>	<b>101,409,755</b>	<b>24,285,843</b>

Further details are provided in the Report on Operations.

## 23. OTHER REVENUES AND INCOME

	2021	2020	Change
Capital gains	26,892	15,354	11,538
Insurance reimbursements	12,092	121,044	(108,952)
Reimbursements	210,671	166,994	43,677
Reimbursement intragroup transport	227,959	106,737	121,222
Charge-back of intragroup costs	951,441	899,147	52,294
Other	25,479	146,910	(121,431)
Operating grants	67,152	152,862	(85,710)
Capital grants	74,886	-	74,886
<b>Total</b>	<b>1,596,572</b>	<b>1,609,048</b>	<b>(12,476)</b>

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.

With regard to operating grants, it should be noted that, pursuant to art.1 paragraph 125 of Law 124/2017 (Fulfilment of transparency and publicity obligations), that in 2021 tax

credits for €50 thousand were recognised in relation to the research and development activity carried out in the 2020 financial year, tax credits of €10 thousand were also recorded for the sanitization of work environments, finally, grants for €7 thousand were obtained from the Formazienda Fund in relation to training courses provided to the company personnel.

With regard to capital grants, it should be noted that these are against a tax credit of €75 thousand for investments made in 2020.

#### 24. COST OF GOODS AND MERCHANDISE

	2021	2020	Change
Raw materials and merchandise	43,959,436	29,312,055	14,647,381
Consumables and supplies	4,314,305	3,127,900	1,186,405
Transport and customs fees	979,888	401,819	578,069
<b>Total</b>	<b>49,253,629</b>	<b>32,841,774</b>	<b>16,411,855</b>

#### 25. COST OF SERVICES

	2021	2020	Change
Subcontracted work	3,187,758	2,876,431	311,327
Transport	1,511,339	1,213,327	298,012
Maintenance and repair	1,768,895	1,442,970	325,925
Electricity, heating and water	1,687,129	1,410,317	276,812
Consulting	1,414,067	1,373,083	40,984
Directors' compensation	903,599	580,991	322,608
Payments to statutory auditors	87,360	87,360	-
Remuneration of supervisory body	34,057	-	34,057
Commissions	883,683	691,404	192,279
Postage and telephone	204,402	213,690	(9,288)
Fuel	237,972	178,661	59,311
Travelling expenses	240,596	207,685	32,911
Insurance	394,321	354,762	39,559
Bank charges	79,972	71,981	7,991
Personnel training	124,129	111,168	12,961
Advertising, promotions and trade fairs	486,337	282,911	203,426
Security and cleaning	640,500	596,616	43,884
Software licence fees	848,574	727,593	120,981
Sundry items	293,967	182,450	111,517
<b>Total</b>	<b>15,028,657</b>	<b>12,603,400</b>	<b>2,425,257</b>

## 26. LEASES AND RENTALS

	2021	2020	Change
Rent and related costs	7,128	3,846	3,282
Vehicle and other leasing	61,812	47,293	14,519
<b>Total</b>	<b>68,940</b>	<b>51,139</b>	<b>17,801</b>

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.

## 27. 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, 2021 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.

	2021	2020	Change
Wages and salaries	21,838,208	19,351,323	2,486,885
Social security contributions	5,930,933	5,579,414	351,519
Employee termination indemnity	1,329,258	1,283,806	45,452
Retirement benefits	70,989	67,743	3,246
Other costs	1,256,012	1,491,938	(235,926)
<b>Total</b>	<b>30,425,400</b>	<b>27,774,224</b>	<b>2,651,176</b>

The increase in the item "Other costs" includes the provision in the Reserve for stock options, referred to in Note 13 and equal to €219 thousand (€489 thousand in 2020).

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

	2021	2020	Change
Managers	7	8	(1)
White collars	218	218	-
Blue collars	227	229	(2)
Outsourced personnel	56	31	25
<b>Total</b>	<b>508</b>	<b>486</b>	<b>22</b>

During the course of the year, Cembre S.p.A. used an average of 56 short-term staff, for a total cost of €2,656 thousand. This amount is classified under wages and salaries.

## 28. OTHER OPERATING COSTS

The item is broken down as follows:

	2021	2020	Change
Sundry taxes	501,869	449,053	52,816
Membership fees	63,346	60,905	2,441
Donations	30,500	106,000	(75,500)
Losses on receivables	33,567	141,984	(108,417)
Legal disputes	-	468,158	(468,158)
Capital losses	62,926	62,460	466
Other	460,380	363,710	96,670
<b>Total</b>	<b>1,152,588</b>	<b>1,652,270</b>	<b>(499,682)</b>

Expenses for legal disputes, related to the 2020 financial year, were due to the resolution of an out-of-court settlement with a British customer, relating to operating problems of a product developed specifically at its request; in 2021 there were no legal disputes giving rise to costs for Cembre S.p.A.

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

## 29. INCREASES IN ASSETS DUE TO INTERNAL CONSTRUCTION

	2021	2020	Change
Increases in assets due to internal construction	2,232,238	1,206,914	1,025,324

This item represents the amount of costs capitalised for the construction of equipment and dies built in-house, as well as costs relating to development activities.

## 30. ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES

The item is broken down as follows:

	2021	2020	Change
Customer indemnities	28,785	22,107	6,678

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

**31. FINANCIAL INCOME (EXPENSE)**

	2021	2020	Change
Dividends from subsidiaries	1,729,921	1,382,557	347,364
Interest earned on bank account balances	2,425	5,150	(2,725)
Other financial income	110	495	(385)
<b>Total financial income</b>	<b>1,732,456</b>	<b>1,388,202</b>	<b>344,254</b>
Loans and bank overdrafts	(1,972)	(5,268)	3,296
Financial charges on discounting of Employee Termination Indemnity	(6,329)	(14,808)	8,479
Lease financial charges	(60,047)	(72,834)	12,787
Other financial charges	(146)	(5,172)	5,026
<b>Total financial charges</b>	<b>(68,494)</b>	<b>(98,082)</b>	<b>29,588</b>
<b>Total financial income (expense)</b>	<b>1,663,962</b>	<b>1,290,120</b>	<b>373,842</b>

In 2021, the subsidiaries approved the following dividends in favour of the Parent Company:

- Cembre Sarl €168 thousand;
- Cembre Ltd. £425 thousand, equal to €496 thousand;
- Cembre España SLU €242 thousand.
- Cembre Inc. \$1,001 thousand, equal to €824 thousand;

**32. FOREIGN EXCHANGE GAINS (LOSSES)**

The item is broken down as follows:

	2021	2020	Change
Realised foreign exchange gains	162,211	165,965	(3,754)
Realised foreign exchange losses	(118,899)	(407,397)	288,498
Unrealised foreign exchange gains	240,681	-	240,681
Unrealised foreign exchange losses	(92,554)	(9,366)	(83,188)
<b>Total</b>	<b>191,439</b>	<b>(250,798)</b>	<b>442,237</b>

**33. INCOME TAXES FOR THE YEAR**

	2021	2020	Change
Current taxes for IRES	(6,190,823)	(4,372,696)	(1,818,127)
Current taxes for IRAP	(1,259,037)	(622,044)	(636,993)
Deferred taxes	(129,889)	163,751	(293,640)
Net extraordinary gains	15,819	69,185	(53,366)
<b>Total</b>	<b>(7,563,930)</b>	<b>(4,761,804)</b>	<b>(2,802,126)</b>

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:

	<b>IRES</b>
Profit before taxes	30,983,717
<b>Theoretical tax expense (24.0%)</b>	<b>7,436,092</b>
Effect of permanent differences	(1,117,635)
Effect of temporary differences	(102,933)
Various deductions	(24,701)
<b>Total income taxes in the financial statements</b>	<b>6,190,823</b>

	<b>IRAP</b>
Gross taxable IRAP	59,831,692
<b>Theoretical tax expense (3.9%)</b>	<b>2,333,436</b>
Effect of permanent differences	22,238
Effect of temporary differences	(28,848)
Deductions for personnel	(1,067,789)
<b>Total income taxes in the financial statements</b>	<b>1,259,037</b>

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

	<b>2021</b>	<b>2020</b>	<b>Change</b>
Average cost valuation of inventories	(210,017)	43,057	(253,074)
Discounting of employee termination indemnity	1,518	3,554	(2,036)
Write-down of inventories	(19,377)	48,844	(68,221)
Differences on depreciation	12,563	19,764	(7,201)
Write-down of Calcinate property	-	34,283	(34,283)
Other	85,424	14,249	71,175
<b>Deferred tax assets and liabilities for the year</b>	<b>(129,889)</b>	<b>163,751</b>	<b>(293,640)</b>



### **34. COMPREHENSIVE INCOME**

Following the adoption of the changes to the revised 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 2021 is positive and amounts to €34 thousand.

### **35. DIVIDENDS**

On May 19, 2021 (ex-dividend date May 17, 2021), dividends were paid in the amount of €15,068 thousand, relating to the allocation of profit for the year 2020, corresponding to €0.90 per share entitled to dividends.

Dividends related to the allocation of the 2021 profit and submitted for approval to the Shareholders' Meeting amounted to €120 per share, for a total of €20,116 thousand. This amount was not recorded as a liability.

### **36. COMMITMENTS AND RISKS**

At December 31, 2021, guarantees granted by Cembre S.p.A. amounted to €1,981,727, compared to €1,982,562 at December 31, 2020.

Among the guarantees provided to third parties, mention goes to the commitments made with respect to the Municipality of Brescia, for a total of €1,051 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 €450 thousand, and guarantees granted to Brescia Customs Authority for €480 thousand.

### **37. NET FINANCIAL POSITION**

The net financial position of Cembre S.p.A. amounted at the year end to a surplus of €12,326 thousand, an increase over December 31, 2020.

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

In respect of the “Guidelines on disclosure obligations pursuant to the prospectus regulation” set forth by ESMA, details of the Group’s Net Financial Position are provided below:

		12/31/2021	12/31/2020
A	Cash	5,500	5,311
B	Bank deposits	35,285,877	29,103,887
<b>C</b>	<b>Cash and cash equivalents (A+B)</b>	<b>35,291,377</b>	<b>29,109,198</b>
D	Financial receivables from subsidiaries	-	168,000
<b>E</b>	<b>Financial receivables (D)</b>	<b>-</b>	<b>168,000</b>
F	Current bank payables	(20,000,439)	(22,600,644)
G	Current lease payables	(856,688)	(891,570)
<b>H</b>	<b>Current financial debt (F+G)</b>	<b>(20,857,127)</b>	<b>(23,492,214)</b>
<b>I</b>	<b>Net current financial position (C+E+H)</b>	<b>14,434,250</b>	<b>5,784,984</b>
J	Non-current bank debts	-	-
K	Non-current lease payables	(2,108,556)	(2,746,670)
<b>L</b>	<b>Non-current financial debt (J+K)</b>	<b>(2,108,556)</b>	<b>(2,746,670)</b>
<b>M</b>	<b>Net financial position (I+L)</b>	<b>12,325,694</b>	<b>3,038,314</b>

### 38. RELATED PARTIES

The table below summarises transactions between Parent company Cembre S.p.A. and the subsidiaries in 2021, with regard to purchases and sales. For receivables/payables, see the specific paragraphs of this document.

Company	Sales	Purchases
Cembre Ltd.	10,876,796	330,663
Cembre S.a.r.l.	5,690,945	144,668
Cembre España S.L.U.	7,534,320	43,764
Cembre GmbH	5,284,719	84,889
Cembre Inc.	4,647,733	31,084
<b>TOTAL</b>	<b>34,034,513</b>	<b>635,068</b>

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, 2021 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	3,728,271	1,799,504	491,458	494,552	53,058

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.

### 39. 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, 2021, the second installment of assignment rights was exercised that resulted in a reduction of the reserve for treasury shares equal to €408 thousand, against the assignment of 21,500 shares.

#### 40. 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, 2021, as detailed in Note 14, four fixed rate loans were taken out, expiring in 2022. 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, 2021, the following currency positions were outstanding:

	2021		2020	
	Original currency	Equivalent € amount	Original currency	Equivalent € amount
Receivables	US\$ 2,631,348	€ 2,323,281	US\$ 1,011,880	€ 824,611
Payables	US\$ 590,420	€ 521,296	US\$ 21,844	€ 17,802
Payables	- GBP	- €	GBP 1,077	€ 1,198
Payables	- CHF	- €	CHF 1,466	€ 1,357
Current account balance in foreign curr.	US\$ 263	€ 234	US\$ 2,787,658	€ 2,271,745

The items were converted into Euro at the exchange rate in effect on December 31, 2021 and generated, with respect to the original amount recorded, an exchange rate loss of €19 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
2021	5%	(111)	25	-
	-5%	122	(52)	-
2020	5%	(39)	1	(108)
	-5%	43	(2)	120

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. Reference should be made to Note 9 for details of the due dates for receivables from clients and to Note 19 for details of the due dates for payables to suppliers

#### 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.

## 41. SUBSEQUENT EVENTS

The war triggered by the Russian invasion of Ukraine represents a dramatic event that will produce negative economic effects both in the markets of countries directly involved in the conflict and indirectly at the global level. The Cembre Group has no significant exposure in these markets and sales to affected areas are not significant, therefore the loss of revenues that may be realized in such areas does not represent a reason for concern. There are also no issues related to direct procurement from these countries. However, the indirect effects of this terrible situation, such as, for example, the increase in the cost of certain raw materials, are not easily foreseeable and could have an impact, albeit not particularly significant, on the Group's economic performance. These consequences are difficult to estimate, given the uncertainty linked to the duration of the war. However, it can reasonably be assumed that the Group's capital structure and the geographical diversification due to its widespread presence in the main world markets will enable it to absorb the indirect effects of this event.

### Attachments

This document includes the following attachments:

*Attachment 1:* Comparative Income Statement;

*Attachment 2:* Compensation for auditing services and other services.

Brescia, March 14, 2022

**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

	2021	%	2020	%	change	2019	%	change
Revenues from contracts with customers	125.695.598	100,0%	101.409.755	100,0%	23,9%	108.808.594	100,0%	15,5%
Other revenues	1.596.572		1.609.048		-0,8%	1.211.689		31,8%
<b>Total Revenues</b>	<b>127.292.170</b>		<b>103.018.803</b>		<b>23,6%</b>	<b>110.020.283</b>		<b>15,7%</b>
Cost of goods and merchandise	(49.253.629)	-39,2%	(32.841.774)	-32,4%	50,0%	(36.871.582)	-33,9%	33,6%
Change in inventories	4.758.374	3,8%	97.335	0,1%		406.809	0,4%	
<b>Cost of goods sold</b>	<b>(44.495.255)</b>	<b>-35,4%</b>	<b>(32.744.439)</b>	<b>-32,3%</b>	<b>35,9%</b>	<b>(36.464.773)</b>	<b>-33,5%</b>	<b>22,0%</b>
Cost of services received	(15.028.657)	-12,0%	(12.603.400)	-12,4%	19,2%	(14.798.304)	-13,6%	1,6%
Lease and rental costs	(68.940)	-0,1%	(51.139)	-0,1%	34,8%	(128.209)	-0,1%	-46,2%
Personnel costs	(30.425.400)	-24,2%	(27.774.224)	-27,4%	9,5%	(27.518.499)	-25,3%	10,6%
Other operating costs	(1.152.588)	-0,9%	(1.652.270)	-1,6%	-30,2%	(1.094.959)	-1,0%	5,3%
Increase in assets due to internal construction	2.232.238	1,8%	1.206.914	1,2%	85,0%	894.359	0,8%	149,6%
Write-down of receivables	(3.378)	0,0%	(52.741)	-0,1%	-93,6%	-	0,0%	#DIV/0!
Accruals to provisions for risks and charges	(28.785)	0,0%	(22.107)	0,0%	30,2%	(23.561)	0,0%	22,2%
<b>Gross Operating Profit</b>	<b>38.321.405</b>	<b>30,5%</b>	<b>29.325.397</b>	<b>28,9%</b>	<b>30,7%</b>	<b>30.886.337</b>	<b>28,4%</b>	<b>24,1%</b>
Tangible assets depreciation	(7.674.284)	-6,1%	(7.479.628)	-7,4%	2,6%	(6.778.091)	-6,2%	13,2%
Intangible assets amortization	(564.030)	-0,4%	(585.585)	-0,6%	-3,7%	(600.798)	-0,6%	-6,1%
Right of use amortization	(954.776)	-0,8%	(959.588)	-0,5%		(850.350)	-0,8%	12,3%
Write-down of long-term assets	-	0,0%	(122.877)	0,0%		-	0,0%	
<b>Operating Profit</b>	<b>29.128.315</b>	<b>23,2%</b>	<b>20.177.719</b>	<b>19,9%</b>	<b>44,4%</b>	<b>22.657.098</b>	<b>20,8%</b>	<b>28,6%</b>
Financial income	1.732.456	1,4%	1.388.202	1,4%	24,8%	4.285.727	3,9%	-59,6%
Financial expenses	(68.494)	-0,1%	(98.082)	-0,1%	-30,2%	(126.417)	-0,1%	-45,8%
Foreign exchange gains (losses)	191.439	0,2%	(250.798)	-0,2%		(66.522)	-0,1%	-387,8%
<b>Profit Before Taxes</b>	<b>30.983.716</b>	<b>24,6%</b>	<b>21.217.041</b>	<b>20,9%</b>	<b>46,0%</b>	<b>26.749.886</b>	<b>24,6%</b>	<b>15,8%</b>
Income taxes	(7.563.930)	-6,0%	(4.761.804)	-4,7%	58,8%	(4.150.232)	-3,8%	82,3%
<b>Net Profit</b>	<b>23.419.786</b>	<b>18,6%</b>	<b>16.455.237</b>	<b>16,2%</b>	<b>42,3%</b>	<b>22.599.654</b>	<b>20,8%</b>	<b>3,6%</b>



## Attachment 2 to the Note 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.	59
Additional auditing activities	EY	Cembre S.p.A.	8
Limited audit, consolidated non-financial declaration	EY	Cembre S.p.A.	6
Supporting Activities EU Taxonomy Regulation (Regulation 2020/852)	EY	Cembre S.p.A.	12
Audit	EY	Subsidiaries	67
Audit	HD Bayern Audit AG	Cembre GmbH	16
Audit	Hazelwoods LLP	Cembre Ltd	22



**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 2021 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 2021 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 14, 2022

Manager responsible for the  
preparation of financial reports

*signed by:*  
Claudio Bornati

Chairman and  
Managing Director

*signed by:*  
Giovanni Rosani



**CEMBRE SpA**

Via Serenissima, 9 • 25135 Brescia ITALIA  
Tel +39 030 3692.1 • Fax +39 030 3365766  
[www.cembre.com](http://www.cembre.com) • [info@cembre.com](mailto:info@cembre.com)