



**CEMBRE**

# 2022 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.**

## CONTENTS

### **REPORT ON OPERATIONS FOR THE 2021 FINANCIAL YEAR**

<b>Report on Operations for the 2022 Financial Year</b>	<b>1</b>
Attachment 1: Comparative Consolidated Income Statement	21
Attachment 2: Corporate Boards	22

### **CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2022**

#### **Consolidated Financial Statements at December 31, 2022**

Consolidated Statement of Financial Position	24
Consolidated Statement of Comprehensive Income	25
Consolidated Statement of Cash Flows	26
Statement of Changes in the Consolidated Shareholders' Equity	27
Notes to the Consolidated Financial Statements	28

<b>Certification pursuant to article 154-bis of Legislative Decree 58/98</b>	<b>71</b>
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### **CEMBRE S.P.A.'S DRAFT FINANCIAL STATEMENTS AT DECEMBER 31, 2022**

#### **Cembre S.p.A.'s Draft Financial Statements at December 31, 2022**

Statement of Financial Position	72
Statement of Comprehensive Income	73
Statement of Cash Flows	74
Statement of Changes in the Shareholders' Equity	75
Notes to the Financial Statements	76
Attachment 1: Comparative Income Statement	114
Attachment 2: Compensation for auditing services and other services	115

<b>Certification pursuant to article 154-bis of Legislative Decree 58/98</b>	<b>116</b>
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## Report on Operations for the 2022 Financial Year

### Operating Review

FY 2022 closed with satisfactory results for the Cembre Group. Markets were able to limit the negative effects of high inflation, the war in Ukraine and the resurgence of contagion in China, allowing the global economy to grow more strongly than the International Monetary Fund predicted in October. The Cembre Group reported a 19.2 percent revenue growth in 2022 compared to 2021, with a turnover of €198.8 million.

The performance of consolidated sales by geographical areas shows 19.9% growth in the Italian market, with sales of €84.4 million. Sales in the rest of Europe grew by 18.3% on the previous year to €93.2 million while sales in the rest of the World were 20.1% higher, reaching €21.2 million. In 2022, sales revenues to the Italian market represented 42.4% of the total (42.2% in 2021), sales to the rest of Europe 46.9% (47.2% in 2021) and sales in the rest of the world represented 10.7% of total sales (10.6% in 2021).

Sales by geographical area:

(euro '000)	2022	2021	Change	2020	2019	2018	2017
Italy	84,385	70,406	19.9%	55,955	58,469	59,023	55,576
Rest of Europe	93,214	78,772	18.3%	64,050	68,757	62,649	54,319
Rest of the World	21,197	17,657	20.0%	17,132	19,070	22,424	22,742
<b>Total</b>	<b>198,796</b>	<b>166,835</b>	<b>19.2%</b>	<b>137,137</b>	<b>146,296</b>	<b>144,096</b>	<b>132,637</b>

Revenues by Group company (net of intragroup sales):

(euro '000)	2022	2021	Change	2020	2019	2018	2017
Parent Company	109,318	91,708	19.2%	73,578	76,917	77,955	74,966
Cembre Ltd. (UK)	25,293	22,633	11.8%	16,688	19,274	18,336	17,468
Cembre S.a.r.l. (F)	12,124	11,258	7.7%	9,557	10,654	10,089	9,502
Cembre España S.L.U. (E)	16,988	12,471	36.2%	11,107	11,765	10,853	9,549
Cembre GmbH (D)*	21,935	18,875	16.2%	15,587	15,149	12,987	8,217
Cembre Inc. (USA)	13,138	9,890	32.8%	10,620	12,537	13,876	12,935
<b>Total</b>	<b>198,796</b>	<b>166,835</b>	<b>19.2%</b>	<b>137,137</b>	<b>146,296</b>	<b>144,096</b>	<b>132,637</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 up to and including 2017 concern solely Cembre GmbH.

In 2022, the turnovers of all Group companies were higher than in 2021.

Overall, sales of the foreign subsidiaries increased by 16.8% from €75.1 million in FY 2021, or 45.0% of consolidated revenue, to €89.5 million in FY 2022, also accounting for 45.0% of total consolidated revenue.

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

	Revenues from sales prior to consolidation						
(euro '000)	2022	2021	Change	2020	2019	2018	2017
Cembre S.p.A.	149,516	125,696	19.0%	101,410	108,809	109,068	103,476
Cembre Ltd. (UK)	25,574	24,318	5.2%	18,207	21,254	20,937	18,916
Cembre S.a.r.l. (F)	12,403	11,532	7.6%	9,748	10,799	10,107	9,509
Cembre España S.L.U. (E)	17,001	12,518	35.8%	11,111	11,779	10,860	9,554
Cembre GmbH (D)	22,063	19,002	16.1%	15,662	15,237	13,187	8,328
Cembre Inc. (USA)	13,193	9,917	33.0%	10,663	12,572	13,898	12,962

In 2022, Group companies reported the following results:

	Net result prior to consolidation						
(euro '000)	2022	2021	Change	2020	2019	2018	2017
Cembre S.p.A.	29,117	23,420	24.3%	16,455	22,600	21,257	24,444
Cembre Ltd. (UK)	2,449	2,113	15.9%	1,408	2,062	1,926	3,743
Cembre S.a.r.l. (F)	647	(327)	297.9%	221	338	545	169
Cembre España S.L.U. (E)	1,530	682	124.3%	491	443	585	740
Cembre GmbH (D)	1,360	1,096	24.1%	515	367	758	508
Cembre Inc. (USA)	491	705	-30.4%	385	666	1,063	863

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.

	Curren	Revenues from sales prior to consolidation						
(euro '000)		2022	2021	Change	2020	2019	2018	2017
Cembre Ltd. (UK)	Gbp	23,514	20,904	12.5%	16,198	18,656	18,523	16,583
Cembre Inc. (USA)	US\$	13,893	11,730	18.4%	12,179	14,075	16,412	14,643

	Currency	Net result prior to consolidation						
(euro '000)		2022	2021	Change	2020	2019	2018	2017
Cembre Ltd. (UK)	Gbp	2,088	1,816	15.0%	1,253	1,810	1,704	3,281
Cembre Inc. (USA)	US\$	517	834	-38.0%	439	833	1,256	975

To provide a better understanding of the consolidated financial performance for 2022, a Comparative Consolidated Income Statement for the previous year showing percentage changes is enclosed as Attachment 1.

Gross operating profit for the period amounted to €54,593 thousand, representing a 27.5% margin on sales, up 19.7% on 2021 when it amounted to €45,597 thousand, representing a 27.3% margin on sales.

The incidence of cost of sales increased compared to 2021, from 33.6% to 34.5%; the same trend also applies to costs for services, the impact of which rose from 11.9% to 12.6%, in particular the increase in costs for electricity and gas, going from €1.9 million in 2021 to €2.5 million in 2022.

The incidence of personnel costs declined, from 27.9% to 25.8%, despite the average workforce rising from 784 collaborators in 2021 (including 59 temporary workers) to 822 collaborators in 2022 (including 79 temporary workers).

Consolidated operating profit for the period amounted to €42,572 thousand, representing a 21.4% margin on sales, up 24.5% on €34,188 thousand in 2021, when it represented a 20.5% margin on sales.

Consolidated profit before taxes amounted to €42,619 thousand, representing a 21.4% margin on sales, up 24.3% on €34,289 thousand in 2021, when it represented a 20.6% margin on sales.

Consolidated net profit for the year amounted to €31,918 thousand, representing a 16.1% margin on sales, up by 26.1% compared to 2021, when it amounted to €25,321 thousand and represented a 15.2% margin on sales.

The consolidated net financial position went from a surplus of €20.6 million at December 31, 2021 to a surplus of €14.6 million at December 31, 2022.

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

## Investments

Capital expenditure by the Group in 2022 with regard to fixed assets, growth of amortization and depreciation, is broken down as follows:

(euro '000)	2022	2021	Change
Capital expenditure on intangible assets	750	919	(169)
Capital expenditure on property, plant and equipment	11,534	8,072	3,462
<b>Total</b>	<b>12,284</b>	<b>8,991</b>	<b>3,293</b>

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

## Results of the Parent Company

Results of the Parent Company for the last two financial years are shown in the table below.

(euro '000)	2022	%	2021	%	Change
Revenue from contracts with customers	149,516	100	125,696	100	19.0%
Gross operating profit	44,224	29.6	38,321	30.5	15.4%
Operating profit	34,621	23.2	29,128	23.2	18.9%
Pre-tax result	38,198	25.5	30,984	24.6	23.3%
Net profit/loss for the year	29,117	19.5	23,420	18.6	24.3%

In 2022, Cembre S.p.A. recognised €3,403 thousand in dividends from its subsidiaries as compared with €1,730 thousand in 2021.

Revenues from sales and services of Cembre S.p.A. were up by 19.0%, from €125,696 thousand in 2021 to €149,516 thousand in 2022. Domestic sales grew by 19.9%, sales to other European countries posted an 18.8% increase and sales in the rest of the World increased by 14.2%.

Area (euro '000)	2022	2021	Change
Italy	84,385	70,406	19.9%
Rest of Europe	51,436	43,298	18.8%
Rest of the World	13,695	11,992	14.2%
<b>Total</b>	<b>149,516</b>	<b>125,696</b>	<b>19.0%</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)	12.31.2022	12.31.2021
	Trade receivables, net	31,656	28,164
	Inventories	71,571	57,617
	Other non-financial assets	3,249	1,901
	Trade payables	(19,203)	(16,245)
	Other non-financial liabilities	(12,650)	(13,683)
<b>A)</b>	<b>Net current assets (working capital)</b>	<b>74,623</b>	<b>57,754</b>
	Property, plant and equipment and investment	87,337	85,314
	Intangible fixed assets	4,394	4,476
	Goodwill	4,608	4,608
	Assets for rights of use on leased assets	5,038	5,960
	Deferred tax assets	3,358	3,057
	Other non-current assets	84	86
<b>B)</b>	<b>Net fixed assets</b>	<b>104,819</b>	<b>103,501</b>
<b>C)</b>	<b>Non-current assets available for sale</b>	<b>-</b>	<b>-</b>
<b>D)</b>	<b>Employee termination indemnity</b>	<b>1,682</b>	<b>1,989</b>
<b>E)</b>	<b>Provisions for risks and charges</b>	<b>653</b>	<b>372</b>
<b>F)</b>	<b>Deferred tax liabilities</b>	<b>3,608</b>	<b>3,371</b>



<b>G)</b>	<b>Net capital employed (A+B+C-D-E-F)</b>	<b>173,499</b>	<b>155,523</b>
	Financed by:		
<b>H)</b>	<b>Shareholders' equity</b>	<b>188,092</b>	<b>176,170</b>
	Long-term financial payables	3,365	4,279
	Cash and short-term financial receivables	(15,028)	(46,636)
	Other financial assets	(15,000)	-
	Short-term financial payables	12,067	21,710
<b>I)</b>	<b>Net Debt/(Availability)</b>	<b>(14,596)</b>	<b>(20,647)</b>
<b>J)</b>	<b>Total sources of funds (H+I)</b>	<b>173,499</b>	<b>155,523</b>

### Shareholders' equity

Consolidation adjustments determined the following differences between the Financial Statements of the parent company at December 31, 2022 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>159,193</b>	<b>29,117</b>
Difference between the book value and shareholders' equity and pro-quota result	33,434	6,476
Elimination of intra-group profits included in the value of inventories (*)	(4,521)	(296)
Cembre GmbH product warranty provision reversal (*)	(5)	1
Intra-group reconciliations	-	(30)
Cancellation of dividends	-	(3,354)
Netting of intragroup dividends	(6)	4
<b>Shareholders' equity and result of the Group</b>	<b>188,095</b>	<b>31,918</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.

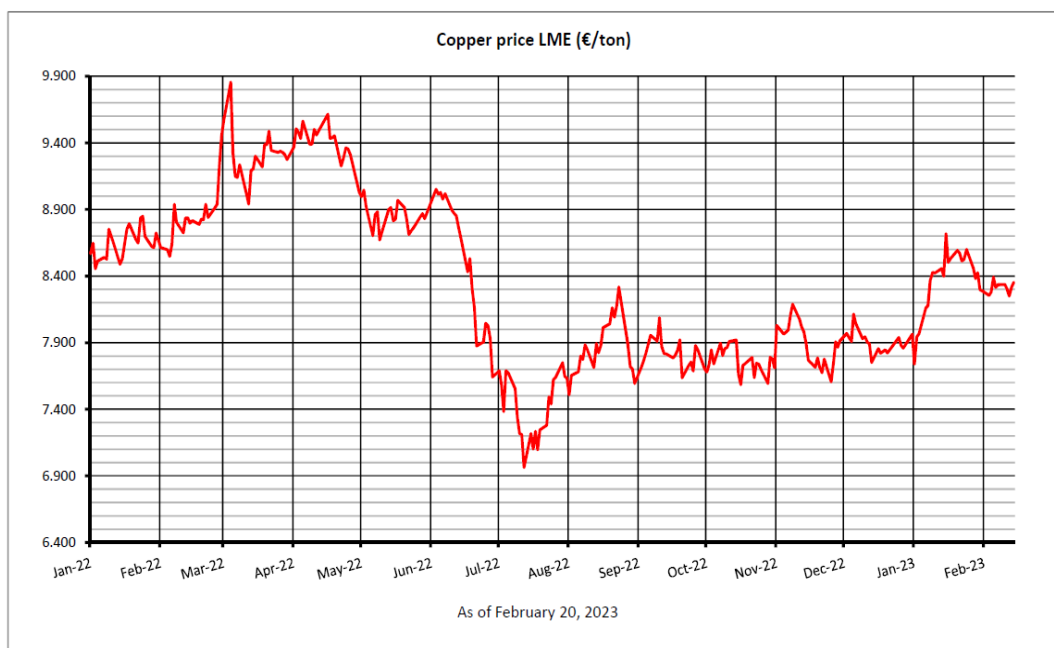
High inflation, the Russia-Ukraine war, and new outbreaks of COVID in China had led to fears of a sharp slowdown in growth in the second half of 2022, but the various economies proved to be extremely resilient, thanks mainly to stable consumption and investment, government aid to households and businesses, and a faster-than-expected fall in the cost

of gas. Central banks have started a policy of raising interest rates in order to counter inflation, the price run has slowed down, but despite repeated interventions, a return to normality is only expected from 2024 onwards.

The International Monetary Fund forecasts global growth of 2.9% for 2023, down from 2022, but far from the recessionary fears that had been raised over the summer. Growth will continue strong in 2024, with a forecast of 3.1%. Growth in the Eurozone is expected to be 0.7% in 2023 and 1.6% in 2024, helped by the institutions' actions to contain energy costs.

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

In the first months of 2022, the price of copper remained at very high levels, reaching its peak at the beginning of March; in June and July, however, fears of a recessionary period and falling demand on the Chinese market led to a sharp drop in quotations, which fell, after more than a year, below €7,000 per tonne. In the second half of the year, positive indications from the markets led to a rise in the price of copper, which stabilised around an average value of €7,900 per tonne. Forecasts for 2023 estimate a rising price, as a result of the recovery of the Chinese economy and an ever-increasing demand due to the acceleration of the decarbonisation process, which will put a strain on copper stocks currently at their lowest.



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. With regard to considerations concerning the risks arising from the ongoing conflict between Russia and Ukraine, please refer to the section “Significant Events after year-end”.

### **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. Some time ago, to further reduce this type of risk, Cembre S.p.A. and Cembre España SLU stipulated an insurance policy with a leading insurance company against commercial credit losses.

Exposure to credit risk relates exclusively to trade receivables.

### **Liquidity risk**

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

### **Interest rate risk**

As at December 31, 2022, a fixed rate loan was taken out for €10 million in the name of the Parent Company Cembre S.p.A., expiring in 2023. 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.

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**

		12/31/2022	12/31/2021
<b>ROE</b>	Return on Equity	17.0%	14.4%
<b>ROS</b>	Sales revenues	21.4%	20.5%
<b>ROI</b>	Revenues from ordinary operations	17.6%	14.4%

**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**

		12/31/2022	12/31/2021
<b>DI</b>	Current ratio	3.11	2.60
<b>LS</b>	Liquidity ratio	1.48	1.49

**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**

		12/31/2022	12/31/2021
<b>CI</b>	Self-coverage of fixed assets ratio	1.86	1.76
<b>LEV</b>	Debt ratio	1.28	1.35
<b>IN</b>	Debt ratio	22.1%	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 dedicated to Research and Development amounted to a total of €516 thousand, of which €244 thousand for Research and €272 thousand for New Product Development. External costs amounted to €152 thousand for research and €219 thousand for development.

Below we include a brief description of projects undertaken during 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 54 projects for new products. Each study involved both new connectors and machinery for their manufacturing.

During the year, several connectors made specifically for the German market, in particular for use on earthing networks, were completed and added to the catalogue. A custom-designed connector for photovoltaic applications was realised for a specific customer, with series production scheduled to start in the first half of 2023.

The second half of 2022 saw the start of an innovative project for a major customer operating in the power transmission sector; the product idea came about following a theoretical and experimental study lasting several years, which led to the realisation of a new connector family with optimised geometric dimensions.

The study to improve the design of mechanical joints continued throughout 2022, with the aim of proposing a solution that combines robustness and ease of use. The different configurations designed are currently being tested in Cembre's laboratories.

## **Railroad equipment**

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

The development and industrialisation of the new battery-powered tool for railway maintenance continued throughout 2022. In order to develop and test the machine's operating algorithms, dedicated equipment was set up and an automatic bench was created for carrying out endurance tests and calibrating the production machines at the end of assembly. Particular attention has been paid to improving the ease of use for the end operator and the automatic reporting that the machine is able to generate. Two patents were filed, the result of development work carried out during 2022.

Work has begun on improving the energy capacity of certain product families for the railway sector. This update will continue through 2023.

In the year 2022, Cembre again invested a lot of energy in research and development of new ecological solutions; this effort resulted in the development of a dedicated rail cutting machine equipped with a new ecological engine that complies with the latest regulations on polluting emissions.

## **Tools**

In 2022, three new grippers were launched on the market, implementing an innovative production technology for Cembre that will also be used on other projects in the future. All products have been improved over the existing ones in terms of ergonomics and compression quality.

A new mechanical hand tool for terminal compression has been designed, the prototype has already been evaluated and production will start in 2023. A brand labelling version will be created for a major German customer.

The following projects were started in the second half of 2022 and will continue throughout 2023:



- study for a family of tools with an innovative operating principle and energy-saving functionality. A patent application will be filed;
- study for a family of tools with high carry-over and energy-saving functionality;
- study for a family of tools that will cover a market segment in which Cembre is currently not active.

The development and testing of tools for drilling railway sleepers continued throughout 2022, exploring new materials and new production technologies not yet present in Cembre.

### **Cable marking**

There were 34 projects for new products for industrial marking. Studies also included the related manufacturing tools.

2022 saw the market launch of the MG4 printer and its work trolley. In a parallel fashion, new functions were developed and fine-tuned, which will be tested with selected customers before being released onto the market.

The study of new solutions for printable nameplates and research into innovative materials that could enable Cembre to expand its market continued.

### **Cable glands**

There were 30 projects for new cable glands. Studies also included the related manufacturing tools. VDE and UL certification was required for all products.

New cable gland families have been developed to complete the Cembre range and respond to new market demands. During the course of the projects, particular attention was paid to maximising the carry-over of components and harmonising the design of new products with the families already in the catalogue. The new cable glands will be launched on the market in 2023.

Some new cable gland families are under development and will cover a market area in which Cembre is not yet present.

## 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.	3,787	1,333	514	506	44
Leased assets from Borno - Cembre Ltd	1,398	503	220	228	11

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 2022, 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 parent company's auditor.

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, 2022, the number of own shares held by Cembre S.p.A. was 217,541, corresponding to 1.28% of the capital stock. The shareholders' meeting of Cembre S.p.A. on April 27, 2022, resolved the authorisation to purchase own shares, effective for the 18 months subsequent to the date of the meeting. During the 2022 financial year, no own shares were purchased. The only transaction is related to the assignment of 19,000 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 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".

## **Effects of the conflict between Russia and Ukraine**

The Russian-Ukrainian market has never been a strategic area for the Cembre Group; sales in these markets have always been limited and direct supplies from these areas have always been non-existent. However, the indirect effects of this terrible situation, in particular the inflationary pressure on the prices of raw materials and energy resources, have affected all markets and, consequently, also the Cembre Group.

Quantifying the effects of the conflict is an extremely complicated task, especially in an economy already stressed by the consequences of the pandemic, which had already led to rising prices and supply shortages. We can however state that the situation did not have any particular effects on the Cembre Group.

## **Effects of climate change**

Climate change is one of the biggest challenges that companies and institutions will have to face in the coming years. At present, it is very complex to estimate the effects that this process may bring in the long run, however, it is possible to begin to make a rough

assessment of what may be the critical areas of the Group's business and what may be the possible solutions to be put in place, in order to prevent the most onerous effects of climate change and possible restrictions imposed by Governments to try to reverse this dangerous process.

Geographically, as also highlighted in the 2023 risk map published by SACE, a company specialising in credit and investment insurance controlled by the MEF, the Group's companies are not located in areas that may be subject to extreme weather events, such as to jeopardise the continuation of business. 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 its investment in earthquake-proofing of structures or the use of light chimneys to improve natural lighting in offices. In 2022, the photovoltaic plant at the Brescia site was expanded, increasing its power from 200 KW to 1500 KW; this investment, when fully operational, will allow the annual production of 2 GWh of electricity.

The Group's production process has an extremely limited impact on the environment, as evidenced by analyses carried out periodically by external bodies. Furthermore, fixed assets and equipment 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, which now provide performance comparable to endothermic-powered machines, but with the absence of combustion emissions. This focus on innovation, which is also aimed at respecting the sustainability of the Group's offer, makes the risk of a loss of value that would jeopardise the Group's operations extremely remote.

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

No event having significant effects on the Group's financial position or operating performance occurred after the close of the year.

## Outlook

As pointed out by the International Monetary Fund, there are numerous variables that can lead to a reduction in economic growth forecasts: China's difficulty in keeping Covid-19 infections under control, the possible escalation of the Russia-Ukraine conflict and the subsequent geopolitical fragmentation, the effect of rising interest rates on the most indebted economies, the persistence of a high level of inflation also due to a sudden recovery of the financial markets, all make the future scenario uncertain. While these elements of uncertainty persist, the Cembre Group remains confident in its ability to increase its consolidated turnover in 2023 while maintaining a positive economic result.

## 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 €29,116,632.88 (rounded off to €29,116,633) as follows:

- €1.40 to be distributed to each of the Company's 16,782,459 shares entitled to dividends (taking into account the 217,541 own shares held), for a total of €23,495,442.60, with May 08, 2023 as the ex-dividend date, May 9, 2023 as the record date pursuant to article 83-terdecies of Legislative Decree 58/1998, and May 10, 2023 as dividend payment date;
- the remainder, amounting to €5,621,190.28, to the extraordinary reserve;
- noting that, keeping into account the program for the acquisition of own shares currently under way, (i) the total amount of the dividend distributed could vary with the number of shares entitled to a dividend at the date of the Shareholder's Meeting resolution, and (ii) additional own shares acquired after the date of the Shareholders' Meeting resolution allocating net profit held by the Company at the record date will not

be entitled to the distribution of a dividend and the corresponding share of net profit will be accrued to the extraordinary reserve.

### **Attachments**

This document includes the following attachments:

Attachment 1 Comparative Consolidated Income Statement for the year ended December 31, 2022.

Attachment 2 Composition of corporate boards.

Brescia, March 14, 2023

**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 2022

### Comparative Consolidated Income Statement

	2022	% of sales	2021	% of sales	Change
	(€ '000)				
Revenues from contracts with customers	198.796	100,0%	166.835	100,0%	19,2%
Other revenues	999		874		14,3%
<b>TOTAL REVENUES</b>	<b>199.795</b>		<b>167.709</b>		<b>19,1%</b>
Cost of goods and merchandise	(83.673)	-42,1%	(60.676)	-36,4%	37,9%
Change in inventories	14.993	7,5%	4.553	2,7%	
<b>Cost of goods sold</b>	<b>(68.680)</b>	<b>-34,5%</b>	<b>(56.123)</b>	<b>-33,6%</b>	<b>22,4%</b>
Cost of services received	(25.100)	-12,6%	(19.826)	-11,9%	26,6%
Lease and rental costs	(256)	-0,1%	(206)	-0,1%	24,3%
Personnel costs	(51.293)	-25,8%	(46.483)	-27,9%	10,3%
Other operating costs	(1.521)	-0,8%	(1.610)	-1,0%	-5,5%
Increase in assets due to internal construction	2.047	1,0%	2.232	1,3%	-8,3%
Write-down of receivables	(243)	-0,1%	(67)	0,0%	262,7%
Accruals to provisions for risks and charges	(156)	-0,1%	(29)	0,0%	437,9%
<b>GROSS OPERATING PROFIT</b>	<b>54.593</b>	<b>27,5%</b>	<b>45.597</b>	<b>27,3%</b>	<b>19,7%</b>
Property, plant and equipment depreciation	(9.298)	-4,7%	(8.719)	-5,2%	6,6%
Intangible asset amortization	(830)	-0,4%	(823)	-0,5%	0,9%
Depreciation of right of use assets	(1.893)	-1,0%	(1.867)	-1,1%	1,4%
<b>OPERATING PROFIT</b>	<b>42.572</b>	<b>21,4%</b>	<b>34.188</b>	<b>20,5%</b>	<b>24,5%</b>
Financial income	59	0,0%	3	0,0%	
Financial expenses	(105)	-0,1%	(103)	-0,1%	1,9%
Foreign exchange gains (losses)	93	0,0%	201	0,1%	-53,7%
<b>PROFIT BEFORE TAXES</b>	<b>42.619</b>	<b>21,4%</b>	<b>34.289</b>	<b>20,6%</b>	<b>24,3%</b>
Income taxes	(10.701)	-5,4%	(8.968)	-5,4%	19,3%
<b>NET PROFIT</b>	<b>31.918</b>	<b>16,1%</b>	<b>25.321</b>	<b>15,2%</b>	<b>26,1%</b>



## Attachment 2 to the Report on Operations for 2022

### 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.

The above list is updated at March 14, 2023.

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, 2022

### Consolidated Statements of Financial Position

ASSETS	Notes	Dec. 31, 2022		Dec. 31, 2021	
(euro '000)			of which: related parties		of which: related parties
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	<b>1</b>	86.567		84.501	
Investment property	<b>2</b>	770		813	
Intangible assets	<b>3</b>	4.394		4.476	
Goodwill	<b>4</b>	4.608		4.608	
Right of use assets	<b>5</b>	5.038	2.878	5.960	3.218
Other investments		5		5	
Other non-current assets	<b>6</b>	79		81	
Deferred tax assets	<b>16</b>	3.358		3.057	
<b>TOTAL NON-CURRENT ASSETS</b>		<b>104.819</b>		<b>103.501</b>	
<b>CURRENT ASSETS</b>					
Inventories	<b>7</b>	71.571		57.617	
Trade receivables	<b>8</b>	31.656		28.164	
Other financial assets	<b>9</b>	15.000		-	
Tax receivables	<b>10</b>	2.169		683	
Other receivables	<b>11</b>	1.080		1.218	
Cash and cash equivalents		15.028		46.636	
<b>TOTAL CURRENT ASSETS</b>		<b>136.504</b>		<b>134.318</b>	
<b>NON-CURRENT ASSETS AVAILABLE FOR SALE</b>		<b>-</b>		<b>-</b>	
<b>TOTAL ASSETS</b>		<b>241.323</b>		<b>237.819</b>	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2022		Dec. 31, 2021	
(euro '000)			of which: related parties		of which: related parties
<b>SHAREHOLDERS' EQUITY</b>					
Capital stock	<b>12</b>	8.840		8.840	
Reserves	<b>12</b>	147.337		141.997	
Net profit		31.918		25.321	
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>188.095</b>		<b>176.158</b>	
<b>NON-CURRENT LIABILITIES</b>					
Non-current financial liabilities	<b>13</b>	3.365	2.212	4.279	2.563
Employee termination indemnity and other personnel benefits	<b>14</b>	1.682	121	1.989	124
Provisions for risks and charges	<b>15</b>	653	110	372	50
Deferred tax liabilities	<b>16</b>	3.608		3.371	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9.308</b>		<b>10.011</b>	
<b>CURRENT LIABILITIES</b>					
Current financial liabilities	<b>13</b>	12.067	732	21.710	721
Trade payables	<b>17</b>	19.203		16.261	
Tax payables	<b>18</b>	2.292		2.774	
Other payables	<b>19</b>	10.358	160	10.905	
<b>TOTAL CURRENT LIABILITIES</b>		<b>43.920</b>		<b>51.650</b>	
<b>LIABILITIES ON ASSETS HELD FOR DISPOSAL</b>		<b>-</b>		<b>-</b>	
<b>TOTAL LIABILITIES</b>		<b>53.228</b>		<b>61.661</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>241.323</b>		<b>237.819</b>	

## Consolidated Financial Statements at June 30, 2022

### Statement of Consolidated Comprehensive Income

	Notes	2022		2021	
		(euro '000)		of which: related parties	
Revenues from contracts with customers	<b>20</b>	198.796		166.835	
Other revenues	<b>21</b>	999		874	
<b>TOTAL REVENUES</b>		<b>199.795</b>		<b>167.709</b>	
Cost of goods and merchandise		(83.673)		(60.676)	
Change in inventories	<b>7</b>	14.993		4.553	
Cost of services received	<b>22</b>	(25.100)	(444)	(19.826)	(917)
Lease and rental costs	<b>23</b>	(256)		(206)	
Personnel costs	<b>24</b>	(51.293)	(195)	(46.483)	(486)
Other operating costs	<b>25</b>	(1.521)		(1.610)	
Increase in assets due to internal construction	<b>26</b>	2.047		2.232	
Write-down of receivables	<b>8</b>	(243)		(67)	
Accruals to provisions for risks and charges	<b>27</b>	(156)		(29)	
<b>GROSS OPERATING PROFIT</b>		<b>54.593</b>		<b>45.597</b>	
Property, plant and equipment depreciation	<b>1-2</b>	(9.298)		(8.719)	
Intangible asset amortization	<b>3</b>	(830)		(823)	
Depreciation of right of use assets	<b>5</b>	(1.893)	(368)	(1.867)	(708)
<b>OPERATING PROFIT</b>		<b>42.572</b>		<b>34.188</b>	
Financial income	<b>28</b>	59		3	
Financial expenses	<b>28</b>	(105)	(29)	(103)	(67)
Foreign exchange gains (losses)	<b>37</b>	93		201	
<b>PROFIT BEFORE TAXES</b>		<b>42.619</b>		<b>34.289</b>	
Income taxes	<b>29</b>	(10.701)		(8.968)	
<b>NET PROFIT FROM ORDINARY ACTIVITIES</b>		<b>31.918</b>		<b>25.321</b>	
<b>NET PROFIT FROM ASSETS HELD FOR DISPOSAL</b>		<b>-</b>		<b>-</b>	
<b>NET PROFIT</b>		<b>31.918</b>		<b>25.321</b>	
<b>Items that will not be reclassified to profit and loss</b>					
Gains (losses) from discounting of Employees' Termination Indemnity		326		45	
Income tax relating to items that will not be reclassified		(78)		(11)	
<b>Items that may be reclassified subsequently to profit and loss</b>					
Conversion differences included in equity		(452)		1.680	
<b>COMPREHENSIVE INCOME</b>	<b>30</b>	<b>31.714</b>		<b>27.035</b>	
<b>BASIC EARNINGS PER SHARE</b>	<b>31</b>	<b>1,90</b>		<b>1,51</b>	
<b>DILUTED EARNINGS PER SHARE</b>	<b>31</b>	<b>1,90</b>		<b>1,51</b>	

## Consolidated Financial Statements at December 31, 2022

### Consolidated Statement of Cash Flows

	2022	2021
€ '000		
<b>A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>46.636</b>	<b>37.688</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the period	31.918	25.321
Income taxes	10.701	8.968
Financial charges/(Financial profits)	46	100
(Gains)/Losses on disposal of assets	(19)	38
Depreciation, amortization and write-downs	12.021	11.409
Net change in Employee Termination Indemnity	(307)	(189)
Net change in provisions for risks and charges	281	107
Stock options plan IFRS2 remeasurement	149	219
<b>Operating profit (loss) before change in working capital</b>	<b>54.790</b>	<b>45.973</b>
(Increase) Decrease in trade receivables	(3.492)	(2.365)
(Increase) Decrease in inventories	(13.954)	(7.182)
Increase (Decrease) of trade payables	2.942	4.673
<b>(Increase) Decrease in working capital</b>	<b>(14.504)</b>	<b>(4.874)</b>
Other changes	(473)	2.301
Interests received/(Interests paid)	(46)	(100)
(Paid income taxes)	(12.669)	(7.644)
<b>NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>27.098</b>	<b>35.656</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on fixed assets:		
- intangible	(750)	(919)
- tangible	(11.534)	(8.072)
Proceeds from disposal of tangible, intangible, available-for-sale financial assets		
- intangible	-	13
- tangible	47	69
- financial	2	467
<b>NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(12.235)</b>	<b>(8.442)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Increase) Decrease in other non current assets	(15.000)	-
Increase (Decrease) in other non current payables	-	(496)
Increase (Decrease) in bank payables	(9.641)	(2.601)
Repayment of leasing liabilities	(1.886)	(1.864)
Changes in reserves	(170)	44
Sale (Purchase) of own shares	360	408
Dividends distributed	(20.116)	(15.068)
<b>NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(46.453)</b>	<b>(19.577)</b>
<b>E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)</b>	<b>(31.590)</b>	<b>7.637</b>
F) Foreign exchange conversion differences	(266)	1.277
G) Discounting of Employee Termination Indemnity	248	34
<b>H) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (A+E+F+G)</b>	<b>15.028</b>	<b>46.636</b>
Of which: assets held for disposal	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>15.028</b>	<b>46.636</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>15.028</b>	<b>46.636</b>
Financial assets	15.000	-
Current financial liabilities	(12.067)	(21.710)
Non current financial liabilities	(3.365)	(4.279)
<b>NET CONSOLIDATED FINANCIAL POSITION</b>	<b>14.596</b>	<b>20.647</b>
<b>BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		
Cash	10	11
Bank deposits	15.018	46.625
	<b>15.028</b>	<b>46.636</b>

Please note that, in order to facilitate a better understanding of cash flows, the layout of the Statement of Cash Flows has been changed from previous years.

## Consolidated Financial Statements at December 31, 2022

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

(€ '000)	Balance at December 31, 2021	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, 2022
Capital stock	8.840							8.840
Share premium reserve	12.245							12.245
Legal reserve	1.768							1.768
Reserve for own shares	(4.489)				360			(4.129)
Suspended-tax revaluation reserve	585							585
Other suspended-tax reserves	68							68
Reserve for previous years' profits	25.894	1.832						27.726
Conversion differences	(988)						(452)	(1.440)
Extraordinary reserve	98.342	3.373			7			101.722
Reserve for FTA	3.715							3.715
Reserve for discounting of Employee Termination Indemnity	99						248	347
Merger surplus reserve	4.397							4.397
Stock options reserve	361			149	(177)			333
Retained earnings	-							-
Net profit	25.321	(5.205)	(20.116)				31.918	31.918
<b>Total Shareholders' Equity</b>	<b>176.158</b>	<b>-</b>	<b>(20.116)</b>	<b>149</b>	<b>190</b>	<b>0</b>	<b>31.714</b>	<b>188.095</b>

(€ '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>

# Notes to the Consolidated Financial Statements at December 31, 2022

## 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.

The publication of the Consolidated Financial Statements of the Cembre Group for the year ended December 31, 2022 was authorized by a resolution of the Board of Directors dated March 14, 2023.

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 (Italy), via Serenissima n. 9
<b>Corporate Form:</b>	Joint Stock Company
<b>Country:</b>	Italy
<b>Registered Office:</b>	Brescia (Italy), via Serenissima n. 9
<b>Headquarters:</b>	Brescia (Italy), via Serenissima n. 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

The present Consolidated Financial Statements at December 31, 2022 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.

Principles adopted in the preparation of the Consolidated Financial Statements are those formally approved by the European Union as at December 31, 2022.

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 if 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 2022, 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 IAS 37 - Onerous contracts - Cost of fulfilling a contract	January 1, 2022
Amendments to IAS 16 - Property, plant and equipment - Revenue from the sale of products made during the testing phase of a tangible asset	January 1, 2022
Annual updates 2018-2020	January 1, 2022
References to the Conceptual Framework - Amendments to IFRS 3	January 1, 2022
Amendments to IFRS9 - Financial Instruments - Costs to be included in the measurement of a financial liability	January 1, 2022

The amendments to the accounting standards listed above did not change the Group's financial statements.

### 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 come into force; however, they are not expected to have a significant impact on the financial statements:

New and revised standards	Date of effectiveness set forth by the standard
IFRS 17 – Insurance contracts	January 1, 2023
Amendments to IAS 1 - Classification of current and non-current liabilities	January 1, 2023
Amendments to IAS 8 - Definition of accounting estimates	January 1, 2023



Amendments to IAS 12 - Deferred tax relating to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IFRS17 - First-time application of IFRS 17 and IFRS 9 - Comparative information	January 1, 2023
Amendments to IAS 1 - Description 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 12/31/2022	Share held at at 12/31/2021
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, 2022	Average exchange rate 2022
British pound	0.88693	0.85276
US dollar	1.06660	1.05305

### 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 Investments 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 include cash balances, unencumbered deposits and other treasury investments with an original scheduled maturity of three months or less. A cash



investment is considered to be a cash equivalent when it is readily convertible to cash with no significant risk of change in value and when it is intended to meet short-term cash commitments and is not held for investment purposes.

### **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 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 2022, 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	3.95%
Annual inflation rate	2.50%

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.

2022	ITALY	EUROPE	REST OF WORLD	Intragroup elimination	TOTAL
Revenues					
Sales to customers	109,318	76,340	13,138		198,796
Sales to other Group	40,198	2,702	54	(42,954)	-
Revenues by sector	149,516	79,042	13,192	(42,954)	198,796
Operating result by sector	34,208	7,729	635		42,572
Costs/income not assigned					-
Operating profit					42,572
Net financial losses					47
Income taxes					(10,701)
Net result for the year					31,918

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

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.

	2022	2021
Italy	84,385	70,406
Europe	93,214	78,772
Rest of the world	21,197	17,657
	<b>198,796</b>	<b>166,835</b>

The breakdown of assets and liabilities is shown below:

12/31/2022	ITALY	EUROPE	REST OF WORLD	TOTAL
<b>Assets and Liabilities</b>				
Segment assets	175,737	59,345	10,878	245,960
Consolidation adjustments				(4,637)
<b>Total assets</b>				<b>241,323</b>
Segment liabilities	43,846	7,723	1,728	53,297
Consolidation adjustments				(69)
<b>Total liabilities</b>				<b>53,228</b>
Capital expenditure:				
- Property, plant and equipment	9,329	1,618	587	11,534
- Intangible assets	747	3	-	750
<b>Total investments</b>				<b>12,284</b>
Depreciation and amortisation:				
- Property, plant and equipment	(8,099)	(985)	(214)	(9,298)
- Intangible assets	(566)	(262)	(2)	(830)
- leased assets	(932)	(668)	(293)	(1,893)
<b>Total amortisation</b>				<b>(12,021)</b>
<b>Accruals to provision for employee benefits</b>	<b>1,571</b>	<b>11</b>	<b>-</b>	<b>1,582</b>
<b>Average no. of employees</b>	<b>536</b>	<b>253</b>	<b>33</b>	<b>822</b>

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>

## 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	60,043	84,380	14,370	10,662	2,743	172,198
Revaluations pursuant to law	934	32	-	-	-	966
Accumulated amortisation	(17,068)	(53,040)	(10,651)	(7,904)	-	(88,663)
<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>
Increases	1,056	4,531	530	2,474	2,943	11,534
Currency translation differences	(116)	(76)	-	7	-	(185)
Amortisation	(1,295)	(5,930)	(820)	(1,210)	-	(9,255)
Net divestments	(1)	(4)	(12)	(4)	(7)	(28)
Reclassifications	49	1,015	653	15	(1,732)	-
<b>Balance at 12/31/2022</b>	<b>43,602</b>	<b>30,908</b>	<b>4,070</b>	<b>4,040</b>	<b>3,947</b>	<b>86,567</b>

	Land and buildings	Plant and Machinery	Equipment	Other assets	Work in progress	Total
Historical cost	58,869	79,800	13,448	10,037	2,571	164,725
Revaluations pursuant to law	934	32	-	-	-	966
Accumulated amortisation	(15,724)	(48,191)	(9,929)	(6,967)	-	(80,811)
<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>

In 2022, Group investments in property, plant and equipment amounted to a total €11,534 thousand, made primarily by the parent company.

Investments in buildings, totalling 1,056, related almost entirely to the upgrading of existing buildings. The increase in the item “Plant and machinery” is due to investment in fixed assets totalling €735 thousand and investment in production machinery totalling €3,796 thousand.

The item “Work in progress” includes advances related to assets that will be delivered starting 2023 for €1,924 thousand, in addition to investments made by the Parent

Company for €1,019 thousand for the manufacturing of dies and equipment still in progress.

The British company Cembre Ltd. has invested a total of €1,463 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	(780)	(261)	(5)	(1,046)
<b>Balance at 12/31/2021</b>	<b>811</b>	<b>2</b>	<b>-</b>	<b>813</b>
Amortisation	(41)	(2)	-	(43)
<b>Balance at 12/31/2022</b>	<b>770</b>	<b>-</b>	<b>-</b>	<b>770</b>

The item includes only the property in Calcinatè (BG), owned by Cembre S.p.A., which is no longer used for the Group's activities.

## 3. INTANGIBLE ASSETS

	Development costs	Patents	Software	Trademarks	Other	Work in progress	Total
Historical cost	3,304	953	6,462	495	2,048	226	13,488
Accumulated amortisation	(2,050)	(849)	(5,133)	(181)	(799)	-	(9,012)
<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>
Increases	492	91	85	-	82	-	750
Currency translation differences	-	-	(2)	-	-	-	(2)
Amortisation	(129)	(102)	(353)	(50)	(196)	-	(830)
Reclassifications	-	-	175	-	51	(226)	-
<b>Balance at 12/31/2022</b>	<b>1,617</b>	<b>93</b>	<b>1,234</b>	<b>264</b>	<b>1,186</b>	<b>-</b>	<b>4,394</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. With regard to Development costs, reference should be made to the Directors' Report on Operations.

## 4. GOODWILL

	12/31/2022	12/31/2021	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 of the distribution networks, logistics and administrative and commercial services of both the aforementioned companies was completed, which resulted in significant integration of the two companies. As a result of this restructuring and close integration, the merger by incorporation of IKUMA in Cembre GmbH was resolved, endorsed on July 1, 2020, effective retroactively to January 1, 2020.

With reference to the date of December 31, 2022, 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 2023-2026 economic and financial plan of the CGU Germany identified.

The analysis produced the following results:

	Recoverable value	Book value	Difference
CGU Germany	24,095	15,640	8,455

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 8.58% (8.29% in 2021), while the long-term growth rate G was assumed to be equal to 0.78% (0.71% in 2021).

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				
		0.28%	0.53%	0.78%	1.03%	1.28%
WACC	9.58%	20,506	20,932	21,382	21,859	22,364
	9.08%	21,662	22,145	22,657	23,201	23,780
	8.58%	22,956	23,508	24,095	24,721	25,390
	8.08%	24,415	25,050	25,728	26,454	27,234
	7.58%	26,073	26,809	27,600	28,451	29,369

### Difference of recoverable value - book value

		Long-term growth rate G				
		0.28%	0.53%	0.78%	1.03%	1.28%
WACC	9.58%	4,866	5,292	5,742	6,219	6,724
	9.08%	6,022	6,505	7,017	7,561	8,140
	8.58%	7,316	7,868	8,455	9,081	9,750
	8.08%	8,775	9,410	10,088	10,814	11,594
	7.58%	10,433	11,169	11,960	12,811	13,729

## 5. RIGHT OF USE - LEASED ASSETS

	Buildings	Motor vehicles	Total
Historical cost	7,711	2,275	9,986
Accumulated amortisation	(2,772)	(1,254)	(4,026)
<b>Balance at 12/31/2021</b>	<b>4,939</b>	<b>1,021</b>	<b>5,960</b>
Increases	357	844	1,201
Currency translation differences	47	(2)	45
Amortisation	(1,141)	(752)	(1,893)
Divestments	(258)	(17)	(275)
<b>Balance at 12/31/2022</b>	<b>3,944</b>	<b>1,094</b>	<b>5,038</b>

The increase in the item Buildings was due to the change in the contractual terms relating to the lease of Cembre Inc's office located in Illinois, while the increase in the item Motor vehicles was due to new contracts to replace expired ones. Divestments relate to two lease contracts closed during the year.

## 6. OTHER NON-CURRENT ASSETS

	12/31/2022	12/31/2021	Change
Guarantee deposits	79	81	(2)

The item includes only security deposits paid by Cembre SpA, Cembre Sarl and Cembre GmbH.

## 7. INVENTORIES

	12/31/2022	12/31/2021	Change
Raw materials	21,333	13,963	7,370
Work in progress and semi-finished goods	16,157	14,454	1,703
Finished goods	32,904	27,088	5,816
Advances to goods suppliers	1,177	2,112	(935)
<b>Total</b>	<b>71,571</b>	<b>57,617</b>	<b>13,954</b>

The increase in inventories is due, in large part, to the increase in the cost of raw materials, which also has a knock-on effect on finished and semi-finished products. In view of the recent procurement difficulties, it was also decided to expand the stock volume of certain items that are essential for the production process.

The value of finished goods is adjusted to its presumed realisable value through a provision for slow-moving inventory amounting to €4,989 thousand. Changes in the provision in 2022 are shown in the table that follows:

	2022	2021
<b>Balance at January 1</b>	<b>4,467</b>	<b>4,748</b>
Accruals	669	493
Uses	(37)	(550)
Releases	(79)	(356)
Currency translation differences	(31)	132
<b>Balance at December 31</b>	<b>4,989</b>	<b>4,467</b>

The impairment logic and procedures used to determine the provision for finished goods did not change from the previous year.

## 8. TRADE RECEIVABLES

	12/31/2022	12/31/2021	Change
Nominal receivables due from customers	32,246	28,649	3,597
Provision for doubtful accounts	(590)	(485)	(105)
<b>Total</b>	<b>31,656</b>	<b>28,164</b>	<b>3,492</b>

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

	12/31/2022	12/31/2021	Change
Italy	12,723	13,674	(951)
Europe	16,288	12,995	3,293
North America	2,051	1,207	844
Oceania	247	243	4

Middle East	415	81	334
Far East	224	271	(47)
Africa	298	178	120
<b>Total</b>	<b>32,246</b>	<b>28,649</b>	<b>3,597</b>

Average collection time remained essentially unchanged, going from 57 days in 2021 to 55 days in 2022.

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

	2022	2021
<b>Balance at January 1</b>	<b>485</b>	<b>457</b>
Accruals	243	67
Uses	(128)	(33)
Releases	(10)	(7)
Currency translation differences	-	1
<b>Balance at December 31</b>	<b>590</b>	<b>485</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>2022</b>	28,433	3,454	213	81	3	62	<b>32,246</b>
<b>2021</b>	24,246	3,791	408	45	107	52	<b>28,649</b>

## 9. OTHER FINANCIAL ASSETS

This item comprises the amounts deposited in term current accounts maturing between January and May 2023.

## 10. TAX RECEIVABLES

	12/31/2022	12/31/2021	Change
Tax receivables	2,169	683	1,486

The item mainly includes tax credits of Cembre S.p.A. and amounted to €1,764 thousand, of which €1,644 thousand related to investments related to Industry 4.0 and recoverable within a maximum of 5 years.

## 11. OTHER ASSETS

	12/31/2022	12/31/2021	Change
Receivables from employees	87	63	24
Advances to suppliers	482	162	320
Other	511	993	(482)
<b>Total</b>	<b>1,080</b>	<b>1,218</b>	<b>(138)</b>



The residual item “Other” mainly includes prepaid expenses.

## 12. 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, 2022, Cembre S.p.A. held 217,541 treasury shares, corresponding to 1.28% of its capital stock. Against these shares the Company recorded €4,129 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 €333 thousand at December 31, 2022. Please refer to Note 36 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.

## 13. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

	Effective interest rate %	Term ending	12/31/2022	12/31/2021
<b>Leasing liabilities - Non-current portion</b>				
Cembre S.p.A.			1,719	2,109
Cembre Ltd.			547	796
Cembre Sarl			66	41
Cembre España SLU			15	61
Cembre GmbH			149	184

Cembre Inc.			869	1,088
<b>Total non-current portion</b>			<b>3,365</b>	<b>4,279</b>
<b>NON-CURRENT FINANCIAL LIABILITIES</b>			<b>3,365</b>	<b>4,279</b>

	Effective interest rate %	Term ending	12/31/2022	12/31/2021
<b>Bank loans</b>				
Cembre S.p.A.				
<i>Current portion</i>				
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
BNL contract 03739	0.02	Mar-23	10,000	-
<b>Total current portion</b>			<b>10,000</b>	<b>20,000</b>
<b>Bank overdrafts</b>				
Cembre S.p.A.				
Banco BPM	2.06	On request	358	-
<b>Total</b>			<b>358</b>	<b>-</b>
<b>Bank charges</b>			<b>1</b>	<b>-</b>
<b>Leasing liabilities - Current portion</b>				
Cembre S.p.A.			875	857
Cembre Ltd.			249	248
Cembre Sarl			85	62
Cembre España SLU			57	62
Cembre GmbH			165	198
Cembre Inc.			277	283
<b>Total current portion</b>			<b>1,708</b>	<b>1,710</b>
<b>CURRENT FINANCIAL LIABILITIES</b>			<b>12,067</b>	<b>21,710</b>

#### 14. 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, 2022 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”

	2022	2021
<b>Opening balance</b>	<b>1,989</b>	<b>2,178</b>
Accruals	1,582	1,074
Uses	(523)	(632)
Social security (INPS) treasury provision	(1,058)	(593)
Actuarial effect	(308)	(38)
<b>Closing balance</b>	<b>1,682</b>	<b>1,989</b>

The Treasury provision with the National Social Security Institute (Istituto Nazionale di Previdenza Sociale - INPS) at December 31, 2022 amounted to €9,493 thousand.

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

Change in rate	12/31/2022	12/31/2021
0.5%	1,630	1,959
-0.5%	1,737	2,104

## 15. PROVISIONS FOR RISKS AND CHARGES

Changes in the year are shown in the table below:

	Supplementary customer allowances	Directors' variable compensation	Employee incentives	Other provisions	Total
<b>At December 31, 2021</b>	<b>224</b>	<b>50</b>	<b>98</b>	<b>-</b>	<b>372</b>
Accruals	35	60	69	121	285
Use	(4)	-	-	-	(4)
<b>At December 31, 2022</b>	<b>255</b>	<b>110</b>	<b>167</b>	<b>121</b>	<b>653</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 variable compensation, 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.

The item Other provisions includes amounts set aside by Cembre S.p.A. and Cembre Sarl to protect against the possible effects of ongoing disputes with former employees.

Given the insignificant effects, these provisions were not discounted.

## 16. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities at December 31, 2022 are summarised as follows:

	12/31/2022	12/31/2021
<b>Deferred tax assets</b>		
Elimination of unrealised intra-group profits in stock	1,750	1,635
Write-down of inventories	691	571
Provision for French personnel costs	61	71
Consulting capitalised by Cembre GmbH	124	124
Provision for doubtful accounts of the Parent Company	95	80
Differences on amortisation and depreciation of Parent Company	312	277
Discounting of employee termination indemnity	-	43
Write-down of Calcinate property	34	34
Other	291	222
<b>Gross deferred tax assets</b>	<b>3,358</b>	<b>3,057</b>
<b>Deferred tax liabilities</b>		
Average cost valuation of inventories by the Parent Company	(825)	(551)
Depreciation Cembre LTD	(444)	(406)
Elimination of German subsidiary product warranty provision	(14)	(11)
Reversal of land depreciation	(24)	(24)
Revaluation of land	(1,652)	(1,652)
Allocation of IKUMA investment purchase price	(592)	(572)
Reversal of amortisation of goodwill and non-competition agreement	(25)	(150)
Discounting of employee termination indemnity	(31)	-
Other	(1)	(5)
<b>Gross deferred tax liabilities</b>	<b>(3,608)</b>	<b>(3,371)</b>
<b>Net deferred tax assets (liabilities)</b>	<b>(250)</b>	<b>(314)</b>

## 17. TRADE PAYABLES

	12/31/2022	12/31/2021	Change
Trade payables	18,643	15,777	2,866
Advances	560	484	76
<b>Total</b>	<b>19,203</b>	<b>16,261</b>	<b>2,942</b>

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

	12/31/2022	12/31/2021	Change
Italy	15,327	12,929	2,398
Europe	3,119	2,345	774
Far East	21	498	(477)
North America	172	2	170

Other	4	3	1
<b>Total</b>	<b>18,643</b>	<b>15,777</b>	<b>2,866</b>

Average payment time shortened from 65 days in 2021 to 52 days in 2022.

## 18. TAX PAYABLES

This item exclusively includes income tax payables for the period, net of advances already paid.

## 19. OTHER PAYABLES

The item “Other payables” may be broken down as follows:

	12/31/2022	12/31/2021	Change
Payables to employees	4,102	3,559	543
Employee withholding taxes payable	1,083	1,146	(63)
VAT and similar foreign taxes payable	723	1,324	(601)
Commissions payable	544	403	141
Payable to Statutory Auditors and similar foreign boards	44	44	-
Payables to Directors	262	274	(12)
Social security payables	3,023	3,115	(92)
Payables for sundry taxes	255	156	99
Payables to former IKUMA directors	-	698	(698)
Sundry items	322	186	136
<b>Total</b>	<b>10,358</b>	<b>10,905</b>	<b>(547)</b>

The residual item “Sundry” includes the payable to shareholders for uncollected dividends, amounting to €116 thousand.

## 20. REVENUE FROM CONTRACTS WITH CUSTOMERS

In 2022, revenues increased by 19.2% compared to the previous year. A total of 42.4% of Group sales were represented by Italy (19.9% more than in 2021), while sales in the rest of Europe represented 46.9% of total sales (up 18.3% on the previous year). Sales to the rest of the World grew by 20.0%, representing 10.7% of total sales. Further detail is provided in the Report on Operations.

## 21. OTHER REVENUES AND INCOME

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

	2022	2021	Change
Capital gains	41	27	14
Use and release of funds	10	137	(127)
Insurance damages	71	41	30
Reimbursements	336	469	(133)
Other	57	58	(1)
Operating grants	96	67	29
Capital grants	388	75	313
<b>Total</b>	<b>999</b>	<b>874</b>	<b>125</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), in 2022 tax credits for €75 thousand were recognised in relation to the research and development activity carried out in the 2021 financial year; in addition, grants for €15 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 €388 thousand for investments made in 2021.

## 22. COST OF SERVICES

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

	2022	2021	Change
Subcontracted work	4,157	3,396	761
Electricity, heating and water	2,512	1,958	554
Transport of goods sold	3,331	2,980	351
Fuel	690	512	178
Travelling expenses	1,677	661	1,016
Maintenance and repair	3,161	2,372	789
Consulting	1,802	1,815	(13)
Advertising and promotion	807	339	468
Insurance	799	714	85
Boards' compensation	1,021	1,025	(4)
Postage and telephone	450	386	64
Commissions	1,393	1,112	281
Security and cleaning	868	759	109
Bank services	193	172	21

Software licence fees	1,039	860	179
Refresher courses	262	215	47
Personnel search	386	282	104
Sundry items	552	268	284
<b>Total</b>	<b>25,100</b>	<b>19,826</b>	<b>5,274</b>

The strong increase in sales, coupled with the general increase in prices, led to a greater use of external processing and maintenance, hence the increase shown in the table in the relevant items. The same applies to electricity and heating costs, which rose sharply in the second half of the year.

On the other hand, the effects of the pandemic, which, especially in the first few months of 2021, had severely limited travel possibilities, weighed on the item “Travelling expenses”.

The residual item “Sundry items” includes mainly entertainment and hospitality costs.

### 23. LEASES AND RENTALS

The item is broken down as follows:

	2022	2021	Change
Rent and related costs	24	7	17
Vehicle and other leasing	232	199	33
<b>Total</b>	<b>256</b>	<b>206</b>	<b>50</b>

The amounts represent the residual portion linked to temporary extensions and short-term contracts, to contracts relative to assets worth less than €5,000 and ancillary costs not falling within the application of IFRS16.

### 24. PERSONNEL COSTS

Personnel costs are broken down as follows:

	2022	2021	Change
Wages and salaries	39,289	35,296	3,993
Social security contributions	8,720	8,304	416
Employee termination indemnity	1,609	1,467	142
Retirement benefits	266	249	17
Other costs	1,409	1,167	242
<b>Total</b>	<b>51,293</b>	<b>46,483</b>	<b>4,810</b>

Wages and salaries include €3,693 thousand relating to the cost of personnel on short-term contracts, mainly incurred by the Parent Company (€3,564 thousand).

The increase in the item “Other costs” includes the provision in the Reserve for stock options, referred to in Note 12, equal to €149 thousand (€219 thousand in 2021).

Average number of employees by category:

	2022	2021	Change
Managers	20	22	(2)
White collars	395	379	16
Blue collars	328	324	4
Short-term personnel	79	59	20
<b>Total</b>	<b>822</b>	<b>784</b>	<b>38</b>

Average numbers of employees by company are as follows:

	Managers	White collars	Blue collars	Short-term personnel	Total 2022	Total 2021	Change
Cembre S.p.A.	9	225	226	76	536	508	28
Cembre Ltd.	2	52	63	0	117	110	7
Cembre Sarl	3	23	5	1	32	37	(5)
Cembre España SLU	1	32	11	1	45	44	1
Cembre Inc.	2	26	5	0	33	30	3
Cembre GmbH	3	37	18	1	59	55	4
<b>Total</b>	<b>20</b>	<b>395</b>	<b>328</b>	<b>79</b>	<b>822</b>	<b>784</b>	<b>38</b>

## 25. OTHER OPERATING COSTS

The item is broken down as follows:

	2022	2021	Change
Sundry taxes	874	820	54
Losses on receivables	16	41	(25)
Capital losses	22	65	(43)
Donations	46	32	14
Membership fees	69	74	(5)
Accessory expenses for production	186	216	(30)
Accessory administrative expenses	126	75	51
Trade-related expenses	102	160	(58)
Other	80	127	(47)
<b>Total</b>	<b>1,521</b>	<b>1,610</b>	<b>(89)</b>

The residual item “Other” consists primarily of sundry expenses not otherwise classifiable.



## 26. INCREASES IN FIXED ASSETS FOR INTERNAL WORK

	2022	2021	Change
Increases in fixed assets for internal work	2,047	2,232	(185)

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.

## 27. ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES

The item is broken down as follows:

	2022	2021	Change
Customer indemnities	35	29	6
Other provisions	121	-	121
<b>Total</b>	<b>156</b>	<b>29</b>	<b>127</b>

## 28. FINANCIAL INCOME (EXPENSE)

	2022	2021	Change
Interest earned on bank account balances	59	3	56
<b>Total financial income</b>	<b>59</b>	<b>3</b>	<b>56</b>
Loans and bank overdrafts	(4)	(5)	1
Financial charges from discounting of Employee Termination Indemnity	(18)	(6)	(12)
Lease financial charges	(82)	(92)	10
Other financial charges	(1)	-	(1)
<b>Total financial charges</b>	<b>(105)</b>	<b>(103)</b>	<b>(2)</b>
<b>Total financial income (expense)</b>	<b>(46)</b>	<b>(100)</b>	<b>54</b>

## 29. INCOME TAXES

Income taxes are composed as follows:

	2022	2021	Change
Current taxes	(10,818)	(8,628)	(2,190)
Deferred taxes	109	(242)	351
Taxes referred to previous years	-	(114)	114
Extraordinary income	8	16	(8)
<b>Total</b>	<b>(10,701)</b>	<b>(8,968)</b>	<b>(1,733)</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 FY 2020. 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.

	2022		2021	
	Amount	%	Amount	%
Profit before taxes	42,619		34,289	
<b>Theoretical tax expense</b>	<b>11,891</b>	<b>27.90%</b>	<b>9,567</b>	<b>27.90%</b>
Effect of non-deductible charges	2,163	5.08%	1,520	4.43%
Effect of untaxed income and deductions	(2,938)	-6.89%	(2,051)	-5.98%
IRAP and other taxes	285	0.67%	38	0.11%
Taxes referred to previous years	-	0.00%	114	0.33%
Extraordinary income	(8)	-0.02%	(16)	-0.05%
Effect of other foreign tax rates	(608)	-1.43%	(204)	-0.59%
<b>Total income taxes in the financial statements</b>	<b>10,701</b>	<b>25.11%</b>	<b>8,968</b>	<b>26.15%</b>

At December 31, 2022, there did not exist temporary differences and loss carry-forwards on which no deferred tax assets or liability had been recorded.

Deferred tax assets and liabilities are made up as follows:

	2022	2021
Elimination of unrealised intra-group profits in stock	115	264
Provision for doubtful accounts of the Parent Company	15	(8)
Average cost valuation of inventories by the Parent Company	(274)	(210)
Accelerated depreciation	(38)	(114)
Write-down of inventories	120	(11)
Discounting of employee termination indemnity	4	2
Provision for French subsidiary personnel costs	(10)	(29)
Differences on amortisation and depreciation of Parent Company	35	12
Allocation of IKUMA investment purchase price	(20)	(31)
Other	162	86
<b>Prepaid/deferred taxes for the period</b>	<b>109</b>	<b>(242)</b>

### 30. 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, 2022, 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.

### 31. 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 217,541.

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.

	2022	2021
Consolidated net profit	31,918	25,321
No. of ordinary shares ('000)	16,744	16,763
<b>Basic earnings per share</b>	<b>1.90</b>	<b>1.51</b>
Weighted number of shares potentially eligible for allocation (in thousands)	20	22
<b>Diluted earnings per share</b>	<b>1.90</b>	<b>1.51</b>

### 32. DIVIDENDS

On May 11, 2022 (ex-dividend date May 9), dividends were paid in the amount of €20,116 thousand, relating to the allocation of profit for the year 2021, corresponding to €1.20 per share entitled to dividends.

Dividends related to the allocation of the 2022 profit and submitted for approval to the Shareholders' Meeting amounted to €1.40 per share, for a total of €23,495 thousand. This amount was not recorded as a liability.

### 33. COMMITMENTS AND RISKS

	12/31/2022	12/31/2021	Change
Sureties and guarantees given	2,401	1,982	419

Commitments at December 31, 2022 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.

### 34. NET FINANCIAL POSITION

The net financial position of the Group amounted to a positive €14,596 thousand at the end of the period, down on December 31, 2021 due to the greater dividends paid and increased investment volume with respect to the previous year.

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:

		12/31/2022	12/31/2021
A	Cash	10	11
B	Bank deposits	15,018	46,625
C	Other financial assets	15,000	-
<b>D</b>	<b>Cash and cash equivalents (A+B+C)</b>	<b>30,028</b>	<b>46,636</b>
E	Current bank payables	(10,359)	(20,000)
F	Current financial leasing liabilities	(1,708)	(1,710)
<b>G</b>	<b>Current financial debt (E+F)</b>	<b>(12,067)</b>	<b>(21,710)</b>
<b>H</b>	<b>Net current financial position (G+D)</b>	<b>17,961</b>	<b>24,926</b>
I	Non-current financial leasing liabilities	(3,365)	(4,279)
<b>J</b>	<b>Non-current financial debt (I)</b>	<b>(3,365)</b>	<b>(4,279)</b>
<b>K</b>	<b>Net financial position (H+J)</b>	<b>14,596</b>	<b>20,647</b>

### 35. 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.	3,787	1,333	514	506	44
Leased assets from Borno - Cembre Ltd	1,398	503	220	228	11

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 2022, 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	753
Remuneration as employees	-	321
Other compensation	-	11
Non-monetary benefits	-	20

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.

## **36. 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 121,000 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, 2022, the third instalment of assignment rights was exercised that resulted in a reduction of the reserve for treasury shares equal to €360 thousand, against the assignment of 19,000 shares.

### **37. 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, 2022, as detailed in Note 13, a fixed rate loan was taken out in the name of the Parent Company Cembre S.p.A., expiring in 2023. 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%	(818)/818	(1,379)/1,379	(149)/149
Cembre Inc.	USD	5% / -5%	(426)/426	(660)/660	(32)/32

At December 31, 2022, the effect of foreign-exchange transactions is positive by €93 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 rating 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.

### **38. SUBSEQUENT EVENTS**

No event having significant effects on the Group's financial position or operating performance occurred after the close of the year.

Brescia, March 14, 2023

**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 2022 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 2022 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, 2023

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, 2022

### Statements of financial position

ASSETS	Notes	Dec. 31, 2022		Dec. 31, 2021	
			<i>of which: related parties</i>		<i>of which: related parties</i>
<b>NON CURRENT ASSETS</b>					
Tangible assets	1	75.158.158		73.917.359	
Investment property	2	770.102		812.577	
Intangible assets	3	3.047.699		2.866.649	
Right of use assets	4	2.551.050	1.795.308	2.924.780	2.242.071
Investments in subsidiaries	5	20.909.981		20.909.981	
Other investments	6	5.168		5.168	
Other non-current assets	7	63.469		66.379	
Deferred tax assets	18	1.253.831		1.068.454	
<b>TOTAL NON-CURRENT ASSETS</b>		<b>103.759.458</b>		<b>102.571.347</b>	
<b>CURRENT ASSETS</b>					
Inventories	8	53.959.415		42.362.288	
Trade receivables	9	15.999.992		16.065.520	
Trade receivables from subsidiaries	10	6.614.659	6.614.659	3.584.659	3.584.659
Other financial assets	11	15.000.000		-	
Tax receivables	12	1.762.427		409.877	
Other assets	13	265.483		109.672	
Cash and cash equivalents		5.900.290		35.291.377	
<b>TOTAL CURRENT ASSETS</b>		<b>99.502.266</b>		<b>97.823.393</b>	
<b>NON-CURRENT ASSETS AVAILABLE FOR SALE</b>		<b>-</b>		<b>-</b>	
<b>TOTAL ASSETS</b>		<b>203.261.724</b>		<b>200.394.740</b>	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2022		Dec. 31, 2021	
			<i>of which: related parties</i>		<i>of which: related parties</i>
<b>EQUITY</b>					
Capital stock	14	8.840.000		8.840.000	
Reserves	14	121.236.258		117.345.611	
Net profit		29.116.633		23.419.786	
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>159.192.891</b>		<b>149.605.397</b>	
<b>NON-CURRENT LIABILITIES</b>					
Non-current financial liabilities	15	1.719.828	1.332.939	2.108.556	1.799.504
Employee Severance Indemnity and other personnel benefits	16	1.438.959	128.922	1.723.044	123.535
Provisions for risks and charges	17	577.632	110.000	371.948	50.000
Deferred tax liabilities	18	2.532.641		2.231.384	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>6.269.060</b>		<b>6.434.932</b>	
<b>CURRENT LIABILITIES</b>					
Current financial liabilities	15	11.233.578	513.804	20.857.127	491.458
Trade payables	19	17.372.703		14.604.793	
Trade payables to subsidiaries	20	222.767	222.767	172.187	172.187
Tax payables	21	1.590.154		2.168.385	
Other Payables	22	7.380.571	422.411	6.551.919	333.439
<b>TOTAL CURRENT LIABILITIES</b>		<b>37.799.773</b>		<b>44.354.411</b>	
<b>LIABILITIES ON ASSETS HELD FOR DISPOSAL</b>		<b>-</b>		<b>-</b>	
<b>TOTAL LIABILITIES</b>		<b>44.068.833</b>		<b>50.789.343</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>203.261.724</b>		<b>200.394.740</b>	

## Financial Statements at December 31, 2022

### Statement of comprehensive income

	Notes	2022		2021	
			<i>of which: related parties</i>		<i>of which: related parties</i>
Revenues from contracts with customers	23	149.516.046	40.198.156	125.695.598	34.034.513
Other revenues	24	2.284.301	1.635.847	1.596.572	1.179.400
<b>TOTAL REVENUES</b>		<b>151.800.347</b>		<b>127.292.170</b>	
Cost of goods and merchandise	25	(68.721.698)	(735.815)	(49.253.629)	(635.068)
Change in inventories	8	12.114.570		4.758.374	
Cost of services received	26	(17.845.740)	(915.008)	(15.028.657)	(1.281.768)
Lease and rental costs	27	(114.425)		(68.940)	
Personnel costs	28	(33.805.604)	(406.659)	(30.425.400)	(753.734)
Other operating costs	29	(965.591)	(20)	(1.152.588)	(1.053)
Increase in assets due to internal construction	30	2.047.383		2.232.238	
Write-down of receivables	9	(204.594)		(3.378)	
Accruals to provisions for risks and charges	31	(80.553)		(28.785)	
<b>GROSS OPERATING PROFIT</b>		<b>44.224.095</b>		<b>38.321.405</b>	
Tangible asset depreciation	1-2	(8.104.488)		(7.674.284)	
Intangible asset amortization	3	(566.224)		(564.030)	
Depreciation of right of use assets	4	(932.192)	(505.861)	(954.776)	(494.552)
<b>OPERATING PROFIT</b>		<b>34.621.191</b>		<b>29.128.315</b>	
Financial income	32	3.461.225	3.402.691	1.732.456	1.729.921
Financial expenses	32	(73.664)	(43.773)	(68.494)	(53.058)
Foreign exchange gains (losses)	33	189.103		191.439	
<b>PROFIT BEFORE TAXES</b>		<b>38.197.855</b>		<b>30.983.716</b>	
Income taxes	34	(9.081.222)		(7.563.930)	
<b>NET PROFIT FROM ORDINARY ACTIVITIES</b>		<b>29.116.633</b>		<b>23.419.786</b>	
<b>NET PROFIT FROM ASSETS HELD FOR DISPOSAL</b>		<b>-</b>		<b>-</b>	
<b>NET PROFIT</b>		<b>29.116.633</b>		<b>23.419.786</b>	
<b>Items that will not be reclassified to profit and loss</b>					
Gains (losses) from discounting of Employees' Termination Indemnity		325.794		44.651	
Income tax relating to items that will not be reclassified		(78.191)		(10.716)	
<b>COMPREHENSIVE INCOME</b>	35	<b>29.364.236</b>		<b>23.453.721</b>	

## Financial Statements at December 31, 2022

### Statement of Cash Flows

	2022	2021
€ '000		
<b>A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>35.291.377</b>	<b>29.109.198</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the period	29.116.633	23.419.786
Income taxes	9.081.222	7.563.930
Financial losses/(Financial gains)	(3.387.560)	65.959
(Gains)/Losses on disposal of assets	1.208	36.034
Depreciation, amortization and write-downs	9.602.904	9.193.090
Net change in Employee Termination Indemnity	(284.085)	(97.026)
Net change in provisions for risks and charges	205.684	127.295
Stock options plan IFRS2 remeasurement	149.408	219.480
<b>Operating profit (loss) before change in working capital</b>	<b>44.485.414</b>	<b>38.798.627</b>
(Increase) Decrease in trade receivables	(2.964.472)	(413.372)
(Increase) Decrease in inventories	(11.597.127)	(6.200.980)
Increase (Decrease) of trade payables	2.818.490	4.685.022
<b>(Increase) Decrease in working capital</b>	<b>(11.743.109)</b>	<b>(1.929.330)</b>
Other changes	788.721	1.017.082
Interests received/(Interests paid)	(15.131)	(65.959)
Dividends received	3.402.691	1.729.921
(Paid income taxes)	(11.012.003)	(6.823.689)
<b>NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>25.906.583</b>	<b>32.726.652</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on fixed assets:		
- intangible	(747.274)	(873.303)
- tangible	(9.328.905)	(7.544.864)
- financial	-	(15.410)
Proceeds from disposal of tangible, intangible, available-for-sale financial assets		
- intangible	-	12.881
- tangible	24.885	67.383
- financial	2.910	-
<b>NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(10.048.384)</b>	<b>(8.353.313)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Increase) Decrease in other non current assets	(15.000.000)	168.000
Increase (Decrease) in bank payables	(9.641.585)	(2.600.204)
Repayment of leasing liabilities	(929.153)	(940.128)
Changes in reserves	(170.605)	(193.053)
Sale (Purchase) of own shares	360.605	408.053
Dividends distributed	(20.116.151)	(15.067.763)
<b>NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(45.496.889)</b>	<b>(18.225.095)</b>
<b>E) INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (B+C+D)</b>	<b>(29.638.690)</b>	<b>6.148.244</b>
F) Discounting of Employee Termination Indemnity	247.603	33.935
<b>G) CASH AND CASH EQUIVALENTS AT END OF YEAR (A+E+F)</b>	<b>5.900.290</b>	<b>35.291.377</b>
Of which: assets held for disposal	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>5.900.290</b>	<b>35.291.377</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>5.900.290</b>	<b>35.291.377</b>
Financial assets	15.000.000	-
Current financial liabilities	(11.233.578)	(20.857.127)
Non current financial liabilities	(1.719.828)	(2.108.556)
<b>NET CONSOLIDATED FINANCIAL POSITION</b>	<b>7.946.884</b>	<b>12.325.694</b>
<b>BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
Cash	4.742	5.500
Banks	5.895.548	35.285.877
	<b>5.900.290</b>	<b>35.291.377</b>

Please note that, in order to facilitate a better understanding of cash flows, the layout of the Statement of Cash Flows has been changed from previous years.

## Financial Statements at December 31, 2021

### Statement of Changes in the Shareholders' Equity

	Balance at December 31, 2021	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, 2022
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	(4.489.360)				360.605		(4.128.755)
Suspended-tax revaluation reserve	585.159						585.159
Other suspended-tax reserves	68.412						68.412
Extraordinary reserve	98.260.767	3.303.636			6.665		101.571.068
Reserve for FTA	4.051.204						4.051.204
Reserve for discounting of Employee Termination Indemnity	98.599					247.603	346.202
Merger surplus reserve	4.397.138						4.397.138
Stock options reserve	360.823			149.408	(177.270)		332.961
Retained earnings	-						0
Net profit	23.419.786	(3.303.636)	(20.116.150)			29.116.633	29.116.633
<b>Total Shareholders' Equity</b>	<b>149.605.397</b>	<b>-</b>	<b>(20.116.150)</b>	<b>149.408</b>	<b>190.000</b>	<b>29.364.236</b>	<b>159.192.891</b>

	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	(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>

## **Note to the Financial Statements of Cembre S.p.A. at December 31, 2022**

### **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, 2022 was authorized by a resolution of the Board of Directors dated March 14, 2023.

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

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

The present Financial Statements at December 31, 2022 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.

Principles adopted in the preparation of Financial Statements are those formally approved by the European Union as at December 31, 2022.

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, 2022 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 2022, 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 IAS 37 - Onerous contracts - Cost of fulfilling a contract	January 1, 2022
Amendments to IAS 16 - Property, plant and equipment - Revenue from the sale of products made during the testing phase of a tangible asset	January 1, 2022
Annual updates 2018-2020	January 1, 2022
References to the Conceptual Framework - Amendments to IFRS 3	January 1, 2022
Amendments to IFRS9 - Financial Instruments - Costs to be included in the measurement of a financial liability	January 1, 2022

The amendments to the accounting standards listed above did not change the company's financial statements.

### 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:

New and revised standards	Date of effectiveness set forth by the standard
IFRS 17 – Insurance contracts	January 1, 2023
Amendments to IAS 1 - Classification of current and non-current liabilities	January 1, 2023
Amendments to IAS 8 - Definition of accounting estimates	January 1, 2023
Amendments to IAS 12 - Deferred tax relating to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IFRS17 - First-time application of IFRS 17 and IFRS 9 - Comparative information	January 1, 2023
Amendments to IAS 1 - Description of accounting policies	January 1, 2023

The adoption of these standards should not result in any significant change to the company's accounting position.

## 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. Please note that, in order to facilitate a better understanding of cash flows, the layout of the Statement of Cash Flows has been changed from previous years.

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

### **Property, plant and equipment**

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

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

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

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

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

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

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

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

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

### **Leasing**

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

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

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

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

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

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

### **Investment property**

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

### **Intangible assets**

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

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

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

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

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

- |                             |               |
|-----------------------------|---------------|
| - concessions and licenses: | 5 to 10 years |
| - software licenses         | 3 to 5 years  |

- patents: 2 years
- development costs: 5 years
- trademarks: 10 to 20 years.

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

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

### **Investments in subsidiaries**

Recognised at cost, adjusted for any impairment.

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

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

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

### **Financial assets**

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

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*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 include cash balances, unencumbered deposits and other treasury investments with an original scheduled maturity of three months or less. A cash investment is considered to be a cash equivalent when it is readily convertible to cash with no significant risk of change in value and when it is intended to meet short-term cash commitments and is not held for investment purposes.

### **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 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 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 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 2022, 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	3.95%
Annual inflation rate	2.50%

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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	50,916,908	78,963,435	13,934,289	5,604,581	2,743,131	152,162,343
Accumulated amortisation	(14,480,769)	(49,287,638)	(10,277,497)	(4,199,081)	-	(78,244,984)
<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>
Increases	1,050,080	4,183,500	500,454	651,947	2,942,924	9,328,905
Amortisation	(1,133,746)	(5,575,976)	(801,532)	(550,758)	-	(8,062,012)
Net divestments	-	(4,186)	(12,938)	(1,379)	(7,591)	(26,094)
Reclassifications	48,756	1,014,811	653,455	14,700	(1,731,722)	-
<b>Balance at 12/31/2022</b>	<b>36,401,229</b>	<b>29,293,946</b>	<b>3,996,231</b>	<b>1,520,010</b>	<b>3,946,742</b>	<b>75,158,158</b>

	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 amortisation	(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
Amortisation	(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>

The volume of capital expenditure by Cembre S.p.A. in 2022 amounted to €9,329 thousand. Investments in buildings included €307 thousand for the re-roofing of a warehouse, €263 thousand for the renovation of the infirmary and changing rooms, €211 thousand for the renovation of a building to house new offices, and the remainder for miscellaneous extraordinary maintenance 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 €735 thousand and investments in machinery and production equipment totalling €3,449 thousand.

The item “Work in progress” includes an increase in equipment and dies totalling €1,019 thousand and advances paid during the period for the supply of fixed assets for €1,924 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 recognized in the Financial Statements of Cembre S.p.A. at December 31, 2022 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	20,230	-	20,457
<b>Total</b>	<b>227</b>	<b>266,475</b>	<b>687,441</b>	<b>954,144</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 amortisation	(780,017)	(260,931)	(5,322)	(1,046,270)
<b>Balance at 12/31/2021</b>	<b>810,503</b>	<b>2,074</b>	<b>-</b>	<b>812,577</b>
Amortisation	(40,714)	(1,761)	-	(42,475)
<b>Balance at 12/31/2022</b>	<b>769,789</b>	<b>313</b>	<b>-</b>	<b>770,102</b>

At December 31, 2022, 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	3,302,471	954,784	6,263,514	82,945	226,197	10,829,911
Accumulated amortisation	(2,048,543)	(850,804)	(4,986,370)	(77,545)	-	(7,963,262)
<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>
Increases	491,424	91,376	82,386	82,088	-	747,274
Amortisation	(128,728)	(101,613)	(335,883)	-	-	(566,224)
Reclassifications	-	-	175,625	50,572	(226,197)	-
<b>Balance at 12/31/2022</b>	<b>1,616,624</b>	<b>93,743</b>	<b>1,199,272</b>	<b>138,060</b>	<b>-</b>	<b>3,047,699</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.

## 4. RIGHT OF USE - LEASED ASSETS

Description	Buildings	Vehicles	Total
Historical cost	3,890,907	1,338,734	5,229,641
Accumulated amortisation	(1,560,262)	(744,599)	(2,304,861)
<b>Balance at 12/31/2021</b>	<b>2,330,645</b>	<b>594,135</b>	<b>2,924,780</b>

Increases	162,874	483,632	646,506
Amortisation	(527,177)	(405,015)	(932,192)
Divestments	(70,251)	(17,793)	(88,044)
<b>Balance at 12/31/2022</b>	<b>1,896,091</b>	<b>654,959</b>	<b>2,551,050</b>

Increases in the “Vehicles” item are part of the normal process of replacing and expanding the vehicle fleet. Divestments refer to the termination of a lease for a property.

## 5. INVESTMENTS IN SUBSIDIARIES

	12/31/2021	Change	Write-downs	12/31/2022
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, 2022, expressed in Euro:

Company and registered office	Share capital	Shareholders' equity	Net profit	%
Cembre Ltd. (Sutton Coldfield - Birmingham)	1,916,725	16,364,722	2,448,985	100
Cembre Sarl (Morangis - Paris)	1,071,000	3,606,644	643,726	100
Cembre España SLU (Torrejon - Madrid)	2,902,200	8,556,745	1,529,793	100
Cembre GmbH (Monaco - Germany)	10,112,000	17,296,555	1,359,896	100
Cembre Inc. (Edison - New Jersey - Usa)	1,350,085	8,521,064	490,901	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

	12/31/2022	12/31/2021	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

	12/31/2022	12/31/2021	Change
Raw materials	19,714,744	12,161,851	7,552,893
Work in progress and semi-finished goods	16,156,689	14,454,262	1,702,427
Finished goods	17,162,818	14,303,569	2,859,249
Advances to goods suppliers	925,164	1,442,606	(517,442)
<b>Total</b>	<b>53,959,415</b>	<b>42,362,288</b>	<b>11,597,127</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 €2,137 thousand. Changes in the provision in 2022 were as follows:

	2022	2021
<b>Provision at January 1</b>	<b>1,696,589</b>	<b>1,777,327</b>
Accruals	555,272	469,442
Uses	(36,509)	(550,180)
Releases	(78,573)	-
<b>Balance at December 31</b>	<b>2,136,779</b>	<b>1,696,589</b>

The impairment logic and procedures used to determine the provision for finished goods did not change from the previous year.

## 9. TRADE RECEIVABLES

	12/31/2022	12/31/2021	Change
Gross trade receivables	16,413,149	16,402,328	10,821
Provision for doubtful accounts	(413,157)	(336,808)	(76,349)
<b>Total</b>	<b>15,999,992</b>	<b>16,065,520</b>	<b>(65,528)</b>

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

	12/31/2022	12/31/2021	Change
Italy	12,726	13,674	(948)
Europe	2,266	1,910	356
North America	237	45	192
Oceania	298	243	55
Middle East	415	81	334

Far East	224	271	(47)
Africa	247	178	69
<b>Total</b>	<b>16,413</b>	<b>16,402</b>	<b>11</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 55 days in 2021 to 47 days in 2022.

The provision for doubtful accounts changed as follows:

	2022	2021
<b>Provision at January 1</b>	<b>336,808</b>	<b>366,956</b>
Accruals	204,594	3,378
Uses	(128,245)	(33,526)
<b>Balance at December 31</b>	<b>413,157</b>	<b>336,808</b>

The breakdown of receivables by maturity at December 31 was as follows (in thousands of Euro):

	Not past due	1-90 days	91-180 days	181-365 days	Over one year	Under litigation	Total
<b>2022</b>	15,320	688	245	78	31	51	<b>16,413</b>
<b>2021</b>	15,149	1076	75	25	26	51	<b>16,402</b>

## 10. TRADE RECEIVABLES FROM SUBSIDIARIES

Trade receivables from the following companies:

	12/31/2022	12/31/2021	Change
Cembre Ltd. (UK)	3,943,383	1,250,125	2,693,258
Cembre S.a.r.l. (France)	808,010	744,869	63,141
Cembre España SLU (Spain)	770,242	614,344	155,898
Cembre GmbH (Germany)	493,932	117,679	376,253
Cembre Inc. (US)	599,092	857,642	(258,550)
<b>Total</b>	<b>6,614,659</b>	<b>3,584,659</b>	<b>3,030,000</b>

The increase in the receivable from Cembre Ltd is related to the higher sales volume developed by the company in FY 2022.

## 11. OTHER FINANCIAL ASSETS

This item comprises the amounts deposited in term current accounts maturing between January and May 2023.

## 12. TAX RECEIVABLES

	12/31/2022	12/31/2021	Change
Receivables for IRES refunds on IRAP	3,394	3,394	-
Tax credits for R&D activities	108,982	49,970	59,012
Tax credit for investments	1,643,510	355,286	1,288,224
Reimbursements	6,541	1,227	5,314
<b>Total</b>	<b>1,762,427</b>	<b>409,877</b>	<b>1,352,550</b>

## 13. OTHER ASSETS

	12/31/2022	12/31/2021	Change
Advances to suppliers	9,523	30,623	(21,100)
Receivables from employees	49,593	24,632	24,961
Other	206,367	54,417	151,950
<b>Total</b>	<b>265,483</b>	<b>109,672</b>	<b>155,811</b>

## 14. 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, 2022, Cembre S.p.A. held 217,541 treasury shares, corresponding to 1.28% of its capital stock. Against these shares the Company recorded €4,129 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 €333 thousand at December 31, 2022. For further details, reference is made to Note 40.

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	(4,128,755)		---
Stock options reserve	332,961		---
Profit reserves:			
Legal reserve	1,768,000	B	---
First time application of IAS/IFRS reserve	4,051,204	B	---
Discounting of employee termination indemnities	346,202	B	---
Merger differences	4,397,137	A B C	4,397,137
Extraordinary reserve	101,571,069	A B C	101,571,069
<b>Total</b>	<b>130,076,258</b>		<b>118,213,075</b>
		Non-distributable portion	1,618,681
		Residual distributable portion	116,594,394

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

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

## 15. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	Effective interest rate %	Term ending	12/31/2022	12/31/2021
<b>Leasing liabilities - Non-current portion</b>			<b>1,719,828</b>	<b>2,108,556</b>
<b>NON-CURRENT FINANCIAL LIABILITIES</b>			<b>1,719,828</b>	<b>2,108,556</b>
<b>Bank loans</b>				
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
BNL contract 03739	0.02	Mar-23	10,000,000	-
<b>        Total current portion</b>			<b>10,000,000</b>	<b>20,000,000</b>
<b>Bank overdrafts</b>				
Banco BPM	2.06	on request	358,172	-
<b>        Total</b>			<b>358,172</b>	<b>-</b>
<b>Bank charges</b>			<b>682</b>	<b>439</b>
<b>Leasing liabilities - Current portion</b>			<b>874,724</b>	<b>856,688</b>
<b>CURRENT FINANCIAL LIABILITIES</b>			<b>11,233,578</b>	<b>20,857,127</b>

## 16. EMPLOYEE TERMINATION INDEMNITY AND OTHER PERSONNEL BENEFITS

Employee Termination Indemnity showed the following changes:

	2022	2021
<b>Provision at January 1</b>	<b>1,723,044</b>	<b>1,820,070</b>
Accruals	1,570,909	1,044,440
Uses	(489,164)	(510,106)
Actuarial effect	(308,167)	(38,322)
Payments to the social security (INPS) treasury provision	(1,057,663)	(593,038)
<b>Balance at December 31</b>	<b>1,438,959</b>	<b>1,723,044</b>

The INPS' treasury account at December 31, 2022 amounted to €9,493 thousand.

The severance indemnity set aside at December 31, 2022 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	12/31/2022	12/31/2021
0.5%	1,387,343	1,692,580
-0.5%	1,493,584	1,837,520

## 17. PROVISIONS FOR RISKS AND CHARGES

	Supplementary customer allowances	Directors' compensation	Employee incentives	Other provisions	Total
<b>At December 31, 2021</b>	<b>224,928</b>	<b>50,000</b>	<b>97,020</b>	<b>-</b>	<b>371,948</b>
Accruals	34,675	60,000	70,070	45,878	210,623
Uses	(4,939)	-	-	-	(4,939)
<b>At December 31, 2022</b>	<b>254,664</b>	<b>110,000</b>	<b>167,090</b>	<b>45,878</b>	<b>577,632</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 compensation 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.

Other provisions include provisions for possible obligations arising from a dispute with a former employee.

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

## 18. 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.

	12/31/2022	12/31/2021	Change
<b>Deferred tax assets</b>			
Write-down of inventories	525,715	420,070	105,645
Provision for doubtful accounts	95,375	80,023	15,352
Differences on depreciation	311,829	277,423	34,406
Discounting of employee termination indemnity	-	42,673	(42,673)
Write-down of Calcinate property	34,283	34,283	-
Other	286,629	213,982	72,647
<b>Gross deferred tax assets</b>	<b>1,253,831</b>	<b>1,068,454</b>	<b>185,377</b>
<b>Deferred tax liabilities</b>			
Average cost valuation of inventories	(825,404)	(550,864)	(274,540)
Reversal of land depreciation	(24,017)	(24,017)	-
Revaluation of land	(1,651,933)	(1,651,933)	-
Discounting of employee termination indemnity	(31,287)	-	(31,287)
Currency translation differences	-	(4,570)	4,570
<b>Gross deferred tax liabilities</b>	<b>(2,532,641)</b>	<b>(2,231,384)</b>	<b>(301,257)</b>
<b>Net deferred tax liabilities</b>	<b>(1,278,810)</b>	<b>(1,162,930)</b>	<b>(115,880)</b>

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

## 19. TRADE PAYABLES

	12/31/2022	12/31/2021	Change
Trade payables	17,172,837	14,576,949	2,595,888
Advances	199,866	27,844	172,022
<b>Total</b>	<b>17,372,703</b>	<b>14,604,793</b>	<b>2,767,910</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:

	12/31/2022	12/31/2021	Change
Italy	15,395	13,035	2,360
Europe	1,752	1,040	712
Far East	21	498	(477)
Other	5	4	1
<b>Total</b>	<b>17,173</b>	<b>14,577</b>	<b>2,596</b>

Average payment time shortened from 75 days in 2021 to 60 days in 2022.

## 20. TRADE PAYABLES TO SUBSIDIARIES

The balance of trade payables is to the following subsidiaries:

	12/31/2022	12/31/2021	Change
Cembre Ltd (UK)	211,530	93,821	117,709
Cembre S.a.r.l. (France)	8,608	2,423	6,185
Cembre GmbH (Germany)	2,398	34,090	(31,692)
Cembre España S.L.U. (Spain)	-	31,258	(31,258)
Cembre Inc. (US)	231	10,595	(10,364)
<b>Total</b>	<b>222,767</b>	<b>172,187</b>	<b>50,580</b>

## 21. TAX PAYABLES

This item exclusively includes income tax payables for the period, net of advances already paid.

## 22. OTHER PAYABLES

The item is broken down as follows:

	12/31/2022	12/31/2021	Change
Payables to employees	2,441,884	2,249,517	192,367
Employee withholding taxes payable	1,166,381	1,137,277	29,104
Social security payables	2,664,538	2,494,255	170,283
Commissions payable	526,506	403,146	123,360
Payables to Directors	262,347	274,144.00	(11,797)
Payable to Statutory Auditors	43,680	43,680	-
Payable on sundry taxes and withholdings	118,645	55,491	63,154
VAT Payables	130,149	54,472	75,677
Sundry items	170,208	66,452	103,756
Deferrals	(143,767)	(226,515)	82,748
<b>Total</b>	<b>7,380,571</b>	<b>6,551,919</b>	<b>828,652</b>

The increase in sundry payables is due to uncollected 2022 dividends in the amount of €100,000.

### 23. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2022	2021	Change
Italy	84,384,530	70,405,518	13,979,012
Rest of Europe	51,436,301	43,298,126	8,138,175
Rest of the World	13,695,215	11,991,954	1,703,261
<b>Total</b>	<b>149,516,046</b>	<b>125,695,598</b>	<b>23,820,448</b>

Further details are provided in the Report on Operations.

### 24. OTHER REVENUES AND INCOME

	2022	2021	Change
Capital gains	16,243	26,892	(10,649)
Insurance reimbursements	36,844	12,092	24,752
Reimbursements	151,054	210,671	(59,617)
Reimbursement intragroup transport	319,823	227,959	91,864
Charge-back of intragroup costs	1,278,338	951,441	326,897
Other	2,324	25,479	(23,155)
Operating grants	91,586	67,152	24,434
Capital grants	388,089	74,886	313,203
<b>Total</b>	<b>2,284,301</b>	<b>1,596,572</b>	<b>687,729</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), in 2022 tax credits for €75 thousand were recognised in relation to the research and development activity carried out in the 2021 financial year; in addition, grants for €15 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 €388 thousand for investments made in 2021.

## 25. COST OF GOODS AND MERCHANDISE

	2022	2021	Change
Raw materials and merchandise	62,540,261	43,959,436	18,580,825
Consumables and supplies	4,674,520	4,314,305	360,215
Transport and customs fees	1,506,917	979,888	527,029
<b>Total</b>	<b>68,721,698</b>	<b>49,253,629</b>	<b>19,468,069</b>

## 26. COST OF SERVICES

	2022	2021	Change
Subcontracted work	3,939,695	3,187,758	751,937
Transport	1,762,954	1,511,339	251,615
Maintenance and repair	2,358,067	1,768,895	589,172
Electricity, heating and water	2,132,164	1,687,129	445,035
Consulting	1,420,135	1,414,067	6,068
Directors' compensation	901,554	903,599	(2,045)
Payments to statutory auditors	87,360	87,360	-
Remuneration of supervisory body	31,973	34,057	(2,084)
Commissions	1,076,944	883,683	193,261
Postage and telephone	250,268	204,402	45,866
Fuel	315,582	237,972	77,610
Travelling expenses	638,218	240,596	397,622
Insurance	434,934	394,321	40,613
Bank charges	82,158	79,972	2,186
Personnel training	182,288	124,129	58,159
Advertising, promotions and trade fairs	148,999	486,337	(337,338)
Security and cleaning	680,320	640,500	39,820
Software licence fees	1,009,848	848,574	161,274
Sundry items	392,279	293,967	98,312
<b>Total</b>	<b>17,845,740</b>	<b>15,028,657</b>	<b>2,817,083</b>

The strong increase in sales, coupled with the general increase in prices, led to a greater use of external processing and maintenance, hence the increase shown in the table in the relevant items. The same applies to electricity and heating costs, which rose sharply in the second half of the year.

On the other hand, the effects of the pandemic, which, especially in the first few months of 2021, had severely limited travel possibilities, weighed on the item “Travelling expenses”.

The residual item “Sundry items” includes mainly entertainment and hospitality costs.

## 27. LEASES AND RENTALS

	2022	2021	Change
Rent and related costs	12,112	7,128	4,984
Vehicle and other leasing	102,313	61,812	40,501
<b>Total</b>	<b>114,425</b>	<b>68,940</b>	<b>45,485</b>

The amounts represent the residual portion linked to temporary extensions and short-term contracts, to contracts relative to assets worth less than €5,000 and ancillary costs not falling within the application of IFRS16.

## 28. 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, 2022 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.

	2022	2021	Change
Wages and salaries	24,103,794	21,838,208	2,265,586
Social security contributions	6,267,415	5,930,933	336,482
Employee termination indemnity	1,559,285	1,329,258	230,027
Retirement benefits	74,225	70,989	3,236
Other costs	1,800,885	1,256,012	544,873
<b>Total</b>	<b>33,805,604</b>	<b>30,425,400</b>	<b>3,380,204</b>

The increase in the item “Other costs” includes the provision in the Reserve for stock options, referred to in Note 14 and equal to €149 thousand (€219 thousand in 2021).

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

	2022	2021	Change
Managers	9	7	2
White collars	225	218	7
Blue collars	226	227	(1)
Outsourced personnel	76	56	20
<b>Total</b>	<b>536</b>	<b>508</b>	<b>28</b>

During the course of the year, Cembre S.p.A. used an average of 76 short-term staff, for a total cost of €3,564 thousand. This amount is classified under wages and salaries.

## 29. OTHER OPERATING COSTS

The item is broken down as follows:

	2022	2021	Change
Sundry taxes	504,925	501,869	3,056
Membership fees	63,420	63,346	74
Donations	45,500	30,500	15,000
Losses on receivables	15,599	33,567	(17,968)
Capital losses	17,450	62,926	(45,476)
Accessory expenses for production	170,004	192,191	(22,187)
Accessory administrative expenses	61,231	119,903	(58,672)
Trade-related expenses	55,981	121,040	(65,059)
Other	31,481	27,246	4,235
<b>Total</b>	<b>965,591</b>	<b>1,152,588</b>	<b>(186,997)</b>

The residual item “Other” consists primarily of sundry expenses not otherwise classifiable.

## 30. INCREASES IN FIXED ASSETS FOR INTERNAL WORK

	2022	2021	Change
Increases in fixed assets for internal work	2,047,383	2,232,238	(184,855)

This item represents the amount of capitalised costs relating to the construction of equipment and dies built in-house; they are essentially composed of the cost of personnel employed in the design and construction of the asset, externally purchased components and any external consulting services.

## 31. ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES

The item is broken down as follows:

	2022	2021	Change
Customer indemnities	34,675	28,785	5,890
Other provisions made	45,878	-	45,878
<b>Total</b>	<b>80,553</b>	<b>28,785</b>	<b>51,768</b>

The customer indemnities provision was allocated in relation to possible charges in the case of termination of agency mandates. The provision for other risks relates to possible obligations arising from a dispute with a former employee.

### 32. FINANCIAL INCOME (EXPENSE)

	2022	2021	Change
Dividends from subsidiaries	3,402,691	1,729,921	1,672,770
Interest earned on bank account balances	58,534	2,425	56,109
Other financial income	-	110	(110)
<b>Total financial income</b>	<b>3,461,225</b>	<b>1,732,456</b>	<b>1,728,769</b>
Loans and bank overdrafts	(2,097)	(1,972)	(125)
Financial charges on discounting of Employee Termination Indemnity	(17,627)	(6,329)	(11,298)
Lease financial charges	(53,238)	(60,047)	6,809
Other financial charges	(702)	(146)	(556)
<b>Total financial charges</b>	<b>(73,664)</b>	<b>(68,494)</b>	<b>(5,170)</b>
<b>Total financial income (expense)</b>	<b>3,387,561</b>	<b>1,663,962</b>	<b>1,723,599</b>

In 2022, the subsidiaries approved the following dividends in favour of the Parent Company:

- Cembre GmbH €1,000 thousand;
- Cembre Ltd. £1,275 thousand, equal to €1,526 thousand;
- Cembre España SLU €242 thousand.
- Cembre Inc. \$720 thousand, equal to €635 thousand;

### 33. FOREIGN EXCHANGE GAINS (LOSSES)

The item is broken down as follows:

	2022	2021	Change
Realised foreign exchange gains	434,929	162,211	272,718
Realised foreign exchange losses	(206,266)	(118,899)	(87,367)
Unrealised foreign exchange gains	-	240,681	(240,681)
Unrealised foreign exchange losses	(39,560)	(92,554)	52,994
<b>Total</b>	<b>189,103</b>	<b>191,439</b>	<b>(2,336)</b>

### 34. INCOME TAXES FOR THE YEAR

	2022	2021	Change
Current taxes for IRES	(7,549,296)	(6,190,823)	(1,358,473)
Current taxes for IRAP	(1,494,213)	(1,259,037)	(235,176)
Deferred taxes	(37,689)	(129,889)	92,200
Net extraordinary gains	(24)	15,819	(15,843)
<b>Total</b>	<b>(9,081,222)</b>	<b>(7,563,930)</b>	<b>(1,517,292)</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 FY 2020. Said request was declared admissible; however, as of the date of this document, it is not possible to establish the outcome and the date of conclusion of this negotiation.

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

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

	IRES
Profit before taxes	38,197,855
<b>Theoretical tax expense (24.0%)</b>	<b>9,167,485</b>
Effect of permanent differences	(1,617,721)
Effect of temporary differences	16,723
Various deductions	(17,191)
<b>Total income taxes in the financial statements</b>	<b>7,549,296</b>

	IRAP
Gross taxable IRAP	68,957,580
<b>Theoretical tax expense (3.9%)</b>	<b>2,689,346</b>
Effect of permanent differences	1,498
Effect of temporary differences	(38,287)
Deductions for personnel	(1,158,343)
<b>Total income taxes in the financial statements</b>	<b>1,494,213</b>

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

	2022	2021	Change
Average cost valuation of inventories	(274,540)	(210,017)	(64,523)
Discounting of employee termination indemnity	(73,960)	1,518	(75,478)
Write-down of inventories	105,645	(19,377)	125,022
Differences on depreciation	34,406	12,563	21,843
Other	170,760	85,424	85,336
<b>Deferred tax assets and liabilities for the year</b>	<b>(37,689)</b>	<b>(129,889)</b>	<b>92,200</b>

### 35. 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 2022 is positive and amounts to €248 thousand.

### 36. DIVIDENDS

On May 11, 2022 (ex-dividend date May 9), dividends were paid in the amount of €20,116 thousand, relating to the allocation of profit for the year 2021, corresponding to €1.20 per share entitled to dividends.

Dividends related to the allocation of the 2022 profit and submitted for approval to the Shareholders' Meeting amounted to €1.40 per share, for a total of €23,495 thousand. This amount was not recorded as a liability.

### 37. COMMITMENTS AND RISKS

At December 31, 2022, guarantees granted by Cembre S.p.A. amounted to €2,399,405, compared to €1,981,727 at December 31, 2021.

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 €868 thousand, and guarantees granted to Brescia Customs Authority for €480 thousand.

### 38. NET FINANCIAL POSITION

The net financial position of Cembre S.p.A. amounted to a positive €7,947 thousand at the end of the period, down on December 31, 2021 due to the greater dividends paid and increased investment volume with respect to the previous year.

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 Cembre S.p.A.’s Net Financial Position are provided below:

		12/31/2022	12/31/2021
A	Cash	4,742	5,500
B	Bank deposits	5,895,548	35,285,877
C	Other financial assets	15,000,000	-
<b>D</b>	<b>Cash and cash equivalents (A+B+C)</b>	<b>20,900,290</b>	<b>35,291,377</b>
E	Current bank payables	(10,358,854)	(20,000,439)
F	Current financial leasing liabilities	(874,724)	(856,688)
<b>G</b>	<b>Current financial debt (E+F)</b>	<b>(11,233,578)</b>	<b>(20,857,127)</b>
<b>H</b>	<b>Net current financial position (G+D)</b>	<b>9,666,712</b>	<b>14,434,250</b>
J	Non-current financial leasing liabilities	(1,719,828)	(2,108,556)
<b>K</b>	<b>Non-current financial indebtedness (I+J)</b>	<b>(1,719,828)</b>	<b>(2,108,556)</b>
<b>L</b>	<b>Net financial position (H+K)</b>	<b>7,946,884</b>	<b>12,325,694</b>

### 39. RELATED PARTIES

The table below summarises transactions between Parent company Cembre S.p.A. and the subsidiaries in 2022, with regard to purchases and sales. For receivables/payables, see the specific paragraphs of this document.

Company	Sales	Purchases
Cembre Ltd.	11,006,311	547,436
Cembre S.a.r.l.	6,193,821	265,263
Cembre España S.L.U.	10,184,418	11,035
Cembre GmbH	8,148,272	285,424
Cembre Inc.	6,301,180	58,402
<b>TOTAL</b>	<b>41,834,002</b>	<b>1,167,560</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 percent stakes with regard to investments in subsidiaries at December 31, 2022 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	3,787,369	1,332,939	513,804	505,861	43,773

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.

#### **40. 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 121,000 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, 2022, the third instalment of assignment rights was exercised that resulted in a reduction of the negative reserve for treasury shares equal to €360 thousand, against the assignment of 19,000 shares.

#### **41. 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, 2022, as detailed in Note 15, a fixed rate loan was taken out, expiring in 2023. Owing to the nature and duration of the contract, 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, 2022, the following currency positions were open:

	2022		2021	
	Original currency	Equivalent € amount	Original currency	Equivalent € amount
Receivables	US\$ 1,364,098	€1,278,921	US\$ 2,631,348	€2,323,281
Payables	US\$ 5,466	€5,125	US\$ 590,420	€521,296
Payables	GBP 740	€835	- GBP	- €
Payables	CHF 22,359	€22,706	- CHF	- €
Bank account in foreign currency	US\$ 947,641	€888,469	US\$ 263	€234

The items were converted into Euro at the exchange rate in effect on December 31, 2022 and generated, with respect to the original amount recorded, an exchange rate loss of €2 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
2022	5%	(61)	(1)	(42)
	-5%	67	3	47
2021	5%	(111)	25	-
	-5%	122	(52)	-

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 20 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.

#### **42. SUBSEQUENT EVENTS**

No event having significant effects on the Group's financial position or operating performance occurred after the close of the year.

#### **Attachments**

This document includes the following attachments:

*Attachment 1:* Comparative Income Statement;

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

Brescia, March 14, 2023

**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

	2022	%	2021	%	change
Revenues from contracts with customers	149.516.046	100,0%	125.695.598	100,0%	19,0%
Other revenues	2.284.301		1.596.572		43,1%
<b>Total Revenues</b>	<b>151.800.347</b>		<b>127.292.170</b>		<b>19,3%</b>
Cost of goods and merchandise	(68.721.698)	-46,0%	(49.253.629)	-39,2%	39,5%
Change in inventories	12.114.570	8,1%	4.758.374	3,8%	
<b>Cost of goods sold</b>	<b>(56.607.128)</b>	<b>-37,9%</b>	<b>(44.495.255)</b>	<b>-35,4%</b>	<b>27,2%</b>
Cost of services received	(17.845.740)	-11,9%	(15.028.657)	-12,0%	18,7%
Lease and rental costs	(114.425)	-0,1%	(68.940)	-0,1%	66,0%
Personnel costs	(33.805.604)	-22,6%	(30.425.400)	-24,2%	11,1%
Other operating costs	(965.591)	-0,6%	(1.152.588)	-0,9%	-16,2%
Increase in assets due to internal construction	2.047.383	1,4%	2.232.238	1,8%	-8,3%
Write-down of receivables	(204.594)	-0,1%	(3.378)	0,0%	5956,7%
Accruals to provisions for risks and charges	(80.553)	-0,1%	(28.785)	0,0%	179,8%
<b>Gross Operating Profit</b>	<b>44.224.095</b>	<b>29,6%</b>	<b>38.321.405</b>	<b>30,5%</b>	<b>15,4%</b>
Tangible assets depreciation	(8.104.488)	-5,4%	(7.674.284)	-6,1%	5,6%
Intangible assets amortization	(566.224)	-0,4%	(564.030)	-0,4%	0,4%
Right of use amortization	(932.192)	-0,6%	(954.776)		-2,4%
<b>Operating Profit</b>	<b>34.621.191</b>	<b>23,2%</b>	<b>29.128.315</b>	<b>23,2%</b>	<b>18,9%</b>
Financial income	3.461.225	2,3%	1.732.456	1,4%	99,8%
Financial expenses	(73.664)	0,0%	(68.494)	-0,1%	7,5%
Foreign exchange gains (losses)	189.103	0,1%	191.439	0,2%	-1,2%
<b>Profit Before Taxes</b>	<b>38.197.855</b>	<b>25,5%</b>	<b>30.983.716</b>	<b>24,6%</b>	<b>23,3%</b>
Income taxes	(9.081.222)	-6,1%	(7.563.930)	-6,0%	20,1%
<b>Net Profit</b>	<b>29.116.633</b>	<b>19,5%</b>	<b>23.419.786</b>	<b>18,6%</b>	<b>24,3%</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.	68.5
Additional auditing activities	EY	Cembre S.p.A.	4.5
Limited audit, consolidated non-financial declaration	EY	Cembre S.p.A.	6
Audit	EY	Subsidiaries	67
Audit	HD Bayern Audit AG	Cembre GmbH	16
Audit	Hazelwoods LLP	Cembre Ltd	24

**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 2022 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 2022 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, 2023

Manager responsible for the  
preparation of financial reports

*signed by:*  
Claudio Bornati

Chairman and  
Managing Director

*signed by:*  
Giovanni Rosani



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