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**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AS AT 30 SEPTEMBER**





**INTERIM
CONSOLIDATED
FINANCIAL
STATEMENTS
AS AT 30 SEPTEMBER 2021**

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HIGHLIGHTS

U-POWER GROUP S.P.A.
Single-member company

Registered office in Paruzzaro (NO) - Via Borgomanero 50

Share capital: Euro 10,000,000 = fully paid-in

Tax Code and Novara Register of Companies no. 08482990150

Chamber of Commerce of Novara no. 163970 R.E.A. (Economic and Administrative Index)

TOTAL REVENUES

€162.9 m

+33.4% VS 3Q 2020

EBITDA

€43.1 m

+50.6% VS 3Q 2020

EBITDA MARGIN

26.7%

EBIT

€38.2 m

+60.5% VS 3Q 2020

NET PROFIT

€23.0 m

+29.7% VS 3Q 2020

NET FINANCIAL DEBT

€8.1 m

€19 m AT 31.12.2020





**INTERIM
CONSOLIDATED
STATEMENT
OF FINANCIAL
POSITION**

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

BALANCE SHEET ASSETS

(Euro thousand)

	NOTES	30.09.2021	31.12.2020
NON-CURRENT ASSETS			
Intangible assets	6	3,224	3,930
Property, plant and equipment	7	33,798	28,065
Rights of use	8	2,327	6,005
Deferred tax assets	9	10,851	13,281
Other non-current assets	10	1,371	1,355
Total Non-current assets		51,571	52,636
CURRENT ASSETS			
Inventories	11	56,460	51,070
Trade receivables	12	49,909	51,510
Receivables from related parties	13	11	12
Tax receivables	14	4,642	1,026
Other current assets	15	7,532	4,649
Cash and cash equivalents and short-term deposits	16	40,323	37,989
Total Current assets		158,877	146,256
TOTAL ASSETS		210,448	198,892

EQUITY AND LIABILITIES

(Euro thousand)

	NOTES	30.09.2021	31.12.2020
EQUITY	17		
Share capital		10,000	10,000
Other reserves		4,354	4,188
Capital contributions reserves		8,600	8,600
Retained earnings		38,199	22,359
Profit for the period		23,030	33,007
Total Group Equity		84,183	78,154
Minority interest		-	-
Total Equity		84,183	78,154
NON-CURRENT LIABILITIES			
Employee benefit obligations	18	1,073	1,014
Provisions	19	5,245	5,052
Non-current financial liabilities	20	29,093	35,779
Total Non-current liabilities		35,411	41,845
CURRENT LIABILITIES			
Current financial liabilities	20	19,320	21,203
Trade payables	21	37,449	41,815
Payables to related parties	37	16,865	2,253
Tax payables	22	12,277	8,903
Other current liabilities	23	4,943	4,719
Total Current liabilities		90,854	78,893
TOTAL LIABILITIES		126,265	120,738
TOTAL EQUITY AND LIABILITIES		210,448	198,892

INTERIM CONSOLIDATED STATEMENT OF PROFIT/(LOSS) AS AT 30 SEPTEMBER 2021

(Euro thousand)

	NOTES	01.01.21-30.09.21	01.01.20-30.09.20
Revenues from contracts with customers	24	161,219	121,327
Other revenues and income	25	1,635	784
Total revenues and income		162,854	122,111
Purchases of raw materials and change in inventories	26	(55,692)	(42,707)
Personnel costs	27	(24,164)	(20,537)
Cost of services	28	(38,565)	(29,220)
Other costs and expenses	29	(1,366)	(1,035)
		(119,787)	(93,499)
Depreciation and amortisation	30	(4,636)	(4,602)
Write-downs	31	(228)	(193)
Operating profit		38,203	23,817
Financial income	32	17	81
Financial expenses	33	(579)	(934)
Other net financial income (expense)	34	(157)	15
Profit before tax		37,484	22,979
Income tax	35	(14,454)	(5,191)
Group profit for the period		23,030	17,788
Profit for the period pertaining to minority interests		-	-
Total profit for the period		23,030	17,788
No. shares making up the share capital		100,000,000	
Basic/diluted earnings per share - €		0,23	n.a.

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME AS AT 30 SEPTEMBER 2021

(Euro thousand)

	NOTES	01.01.21-30.09.21	01.01.20-30.09.20
Profit for the period	17	23,030	17,788
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax)</i>			
<i>Net gain/(loss) on cash flow hedges</i>	20	98	9
Net other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods, net of tax		98	9
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax)</i>			
<i>Remeasurement gain/(loss) on defined benefit plans</i>		1	-
Total other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods, net of tax		1	-
Other comprehensive income/(loss), net of tax		99	9
Total Group comprehensive income/(loss), net of tax		23,129	17,797
Total third-party comprehensive income/(loss), net of tax		-	-
Total comprehensive income/(loss), net of tax		23,129	17,797

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 SEPTEMBER 2020, AS AT 31 DECEMBER 2020, AND AS AT 30 SEPTEMBER

(Euro thousand)

	Share capital	Other reserves	Capital contributions reserves	Retained earnings	Profit for the year	Total Equity	Minority interest	Total Equity
NOTES	17	17	17	17	17	17	17	17
Balance as at 1 January 2020	10,000	3,491	8,600	16,364	18,966	57,421	-	57,421
Allocation of 2019 profit	-	721	-	18,245	(18,966)	-	-	-
Dividends 2020	-	-	-	(10,000)	-	(10,000)	-	(10,000)
Profit for the period	-	-	-	-	17,788	17,788	-	17,788
Other comprehensive income	-	9	-	-	-	9	-	9
Balance as at 30 September 2020	10,000	4,221	8,600	24,609	17,788	65,218	-	65,218
Dividends 2020	-	-	-	(2,250)	-	(2,250)	-	(2,250)
Profit for the period	-	-	-	-	15,219	15,219	-	15,219
Other comprehensive income	-	(33)	-	-	-	(33)	-	(33)
Balance as at 31 December 2020	10,000	4,188	8,600	22,359	33,007	78,154	-	78,154
Allocation of 2020 profit	-	67	-	32,940	(33,007)	-	-	-
Dividends 2021	-	-	-	(17,100)	-	(17,100)	-	(17,100)
Profit for the period	-	-	-	-	23,030	23,030	-	23,030
Other comprehensive income	-	99	-	-	-	99	-	99
Balance as at 30 September 2021	10,000	4,354	8,600	38,199	23,030	84,183	-	84,183

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 30 SEPTEMBER 2021

(Euro thousand)

	NOTES	01.01.21-30.09.21	01.01.20-30.09.20
Operating Activities:			
PROFIT FROM OPERATING ACTIVITIES NET OF TAXES		23,030	17,788
Adjustments to reconcile profit to net cash flows before taxes:			
<i>Amortisation and impairment of intangible assets</i>	6-30	781	780
<i>Depreciation and impairment of property, plant and equipment</i>	7-30	3,093	2,949
<i>Amortisation and impairment of right-of-use assets</i>	8-30	762	873
<i>Financial income</i>	32	(17)	(81)
<i>Financial expenses</i>	33	579	935
<i>Other financial income and expense</i>	34	157	(16)
<i>Income tax</i>	35	14,454	5,191
<i>Write-down of current assets</i>	31	228	193
Subtotal of operating activities		43,067	28,612
<i>Net change in employee severance indemnity and pension funds</i>	18	61	56
<i>Net change in provisions for risks and charges</i>	19	193	206
<i>Interest paid</i>		(780)	(663)
<i>Income taxes paid</i>		(4,641)	(5,832)
<i>Net foreign exchange differences</i>	34	(224)	55
Changes in working capital:			
<i>Changes in inventories</i>	11	(5,390)	2,320
<i>(Increase)/decrease in trade receivables</i>	12	1,373	(1,959)
<i>(Increase)/decrease in other non-financial assets</i>		(3,289)	727
<i>(Increase)/decrease in trade payables</i>	21	(4,367)	(9,752)
<i>(Increase)/decrease in other non-financial liabilities</i>		487	(637)
NET CASH FLOWS FROM OPERATING ACTIVITIES		26,490	13,133
Investing activities:			
<i>Investments in intangible assets</i>	6	(75)	(107)
<i>Investments in property, plant and equipment</i>	7	(8,825)	(3,135)
<i>Increase/(decrease) in financial assets</i>		16	(296)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(8,884)	(3,538)
Financing activities:			
<i>Increase in non-current loans and financing</i>	20	13,000	40,750
<i>(Repayment) of non-current borrowings</i>	20	(14,187)	(25,053)
<i>(Repayment of)/ increase in current loans</i>	20	(4,085)	(3,097)
<i>Dividends paid to the shareholders of the Parent Company</i>	17	(10,000)	(8,908)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(15,272)	3,692
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,334	13,287
<i>Cash and cash equivalents at the beginning of the year</i>	16	37,989	21,372
Cash and cash equivalents at the end of the year		40,323	34,659



BREATHABLE



**NOTES TO
THE INTERIM
CONSOLIDATED
FINANCIAL
STATEMENTS**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

U-POWER GROUP S.P.A. is a company registered and domiciled in Italy.

The registered office is in Paruzzaro (NO), in via Borgomano 50.

The U-POWER Group is active in the research, development and design ("R&D"), production and sale of certain personal protective equipment ("PPE"), intended for individual protection and safety in the work environments of

operators in the different sectors of industry and trade, as well as agriculture, including therein highly regulated sectors (such as the chemical industry, construction, farming, construction in general and services).

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

The Group consolidated financial statements include:

Name	Registered office	Type of control	Currency	Functional currency	% equity investment	
					Sept-2021	2020
U-Group s.r.l.	Italy	Direct	EUR	EUR	100%	100%
U-Logistics s.r.l.	Italy	Direct	EUR	EUR	100%	100%
Lupos G.m.b.H.	Germany	Direct	EUR	EUR	100%	100%
Belbis Sarl	Tunisia	Direct	TND	EUR	100%	100%
Granbis Sarl	Tunisia	Direct	TND	EUR	100%	100%
Martek Sarl	Tunisia	Direct	TND	EUR	100%	100%
Jallatte SAS	France	Direct	EUR	EUR	100%	100%

The Tunisian companies have used the Euro as the functional currency.

During the period, the merger of the subsidiary Altek Europe s.r.l. into U Group s.r.l. was finalised, effective retroactively at 1/01/2021.

The scope of consolidation remains unchanged with respect to the previous period.

Ultimate parent

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

2. DRAFTING PRINCIPLES AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES

2.1. DRAFTING PRINCIPLES

The condensed consolidated financial statements for the period to 30 September 2021 were drafted on the basis of IAS 34 Interim Financial Reporting.

The condensed consolidated financial statements for the period to 30 September do not provide all the information required in the preparation of the annual consolidated financial statements. For said reason, the condensed nine-monthly consolidated financial statements must be read together with the consolidated financial statements as at 31 December 2020.

2.2. NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting standards adopted to draft the condensed nine-monthly consolidated financial statements conform to those used to prepare the consolidated financial statements as at 31 December 2020, except for the adoption of the new standards and amendments in force from 1 January 2021. The Group has not arranged for the early adoption of any other standard, interpretation or amendment, issued but still not in force.

The following amendments take effect from 1 January 2021, which did not impact the condensed consolidated financial statements for the period until 30 September of the Group:

- Amendments to IFRS4, IFRS 7, IFRS 9, IFRS16 and IAS 39: Interest rate benchmark reform.

3. ASSUMPTIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

In drafting the interim consolidated financial statements, also in light of the impacts of Covid-19, the company's management carried out evaluations, estimates and assumptions that impact the values of the revenues, costs, assets and liabilities and the disclosure relating to contingent assets and liabilities at the reporting date. It is noted that, as they are estimates, they could differ from actual future results. Certain evaluation processes, particularly the more complex ones, such as the determination of any impairment of non-current assets and/or calculation of taxes, are only carried out completely at the time of drafting of the year-end consolidated financial statements, when all the necessary information is available. The calculation of taxes as at 30 September 2021 was determined by considering the exact tax rate; the company did not make use of the possibility of using the weighted average of the annual expected tax rate according to the provisions of IAS 34, paragraph 30.

4. BUSINESS SEASONALITY

The protective footwear market, which is the main market in which the Group operates, is not greatly affected by seasonality factors; in fact, sales are distributed substantially equally over the year, while the technical work clothing market which, in the first nine months accounted for roughly 9% of sales, is more subject to seasonality; the economic results in the second half of the year are normally higher than those of the first half.

This disclosure is provided to allow readers to better understand the results, however, the management concluded that Group operations do not represent a "highly seasonal activity" as set forth in IAS 34.

In carrying out these evaluations, estimates and assumptions, the company's management took into due consideration the effects, including potential, of the Covid-19 pandemic which involved the performance of specific analyses on certain financial statements items.

5. FAIR VALUE MEASUREMENT

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

	30 September 2021				
	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Financial assets at fair value reported in the Income Statement					
Unicredit securities	1,347	1,347	1,347		
Total	1,347	1,347	1,347	-	-
Financial liabilities at amortised cost					
Bonds	(22,969)	(22,969)		(22,969)	
Floating rate borrowings	(11,367)	(11,367)		(11,367)	
Fixed rate borrowings	(11,714)	(11,714)		(11,714)	
Total	(46,050)	(46,050)	-	(46,050)	-
Derivative financial instruments					
Effective hedging derivatives	(148)	(148)		(148)	
Derivatives not designated as hedges	-	-		-	
Total	(148)	(148)	-	(148)	-
31 December 2020					
	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Financial assets at fair value reported in the Income Statement					
Unicredit securities	1,315	1,315	1,315		
Total	1,315	1,315	1,315	-	-
Financial liabilities at amortised cost					
Bonds	(24,751)	(24,751)		(24,751)	
Floating rate borrowings	(15,956)	(15,956)		(15,956)	
Fixed rate borrowings	(9,714)	(9,714)		(9,714)	
Total	(50,421)	(50,421)	-	(50,421)	-
Derivative financial instruments					
Effective hedging derivatives	(277)	(277)		(277)	
Derivatives not designated as hedges	(35)	(35)		(35)	
Total	(312)	(312)	-	(312)	-

Management verified that the fair value of cash and cash equivalents and short-term deposits, trade receivables and payables, bank overdrafts and other current liabilities approximates the book value as a result of the short-term maturities of these instruments.

6. INTANGIBLE ASSETS

Intangible assets, as detailed in the table below, amounted to Euro 3,224 thousand as at 30 September 2021.

	Concessions, licences and trademarks
Historical cost	
As at 1 January 2021	12,688
Increases	84
Disposals	(42)
As at 30 September 2021	12,731
Accumulated amortisation	
As at 1 January 2021	(8,758)
Amortisation in the period	(781)
Increases	-
Disposals	32
As at 30 September 2021	(9,507)
Net book value	
As at 1 January 2021	3,930
As at 30 September 2021	3,224

The comparative table for 2020 is provided below:

	Concessions, licences and trademarks
Historical cost	
As at 1 January 2020	12.529
Increases	162
Disposals	(3)
As at 31 December 2020	12.688
Accumulated amortisation	
As at 1 January 2020	(7.721)
Amortisation in the year	(1.033)
Increases	(7)
Disposals	3
As at 31 December 2020	(8.758)
Net book value	
As at 1 January 2020	4.808
As at 31 December 2020	3.930

The item "Concessions, licences, trademarks and similar rights" refers mainly to the value of the U Power, Jallatte, Aimont, and Lupos trademarks, relating to the products sold by the Group in the safety footwear and clothing sector.

The value of the Aimont, Lupos trademarks and other minor trademarks, totalling Euro 1,171 thousand, corresponds to the purchase value net of the amortisation already incurred. The value of the U-Power and Jallatte trademarks reported

in the financial statements amounts, respectively, to Euro 765 thousand and Euro 1,097 thousand, net of amortisation and depreciation for the period.

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

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, as detailed in the table below, amounted to Euro 33,798 thousand as at 30 September 2021.

	Land and buildings	Plant and equipment & Industrial and commercial equipment	Other assets	Total
Historical cost				
As at 1 January 2021	16,419	38,180	2,449	57,049
Increases	5,809	2,628	514	8,951
Disposals	-	(45)	(214)	(259)
As at 30 September 2021	22,229	40,762	2,749	65,740
Accumulated depreciation				
As at 1 January 2021	(4,523)	(22,661)	(1,800)	(28,984)
Depreciation in the period	(539)	(2,366)	(188)	(3,093)
Disposals	-	2	133	135
As at 30 September 2021	(5,062)	(25,025)	(1,855)	(31,942)
Net book value				
As at 1 January 2021	11,897	15,519	650	28,065
As at 30 September 2021	17,167	15,737	895	33,798

The comparative table for 2020 is provided below:

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

"Land and buildings" increased by around Euro 5.3 million, principally following the purchase by the subsidiary U-Logistics of the buildings used as warehouses, for a total of Euro 5.8 million, which were previously leased. The remainder is mainly composed of buildings located in Tunisia, whose value as at 30 September 2021 was to Euro 11,276 thousand, and the buildings of Jallatte.

The majority of plant, machinery and equipment is located in the Tunisian production facilities for a value of Euro 13,811 thousand, partly in the logistics plant of the subsidiary U-Logistics for Euro 601 thousand, partly for the modelling department located in Italy for Euro 649 thousand

and, only to a marginal degree, in the production facility of the French subsidiary Jallatte for Euro 258 thousand. The increases in the period are due primarily to the acquisitions of plant and equipment for the facilities in Tunisia. Industrial and commercial equipment relate predominantly to moulds and production equipment in the Tunisian subsidiaries.

The item "Other tangible assets" mainly includes IT material, office furniture and vehicles.

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

8. RIGHTS OF USE ASSETS

With the application of IFRS 16 concerning rights of use and lease agreements, the statement of financial position included a value of Euro 2,327 thousand, net of amortisation calculated for the period.

Details are provided in the table below:

	Right of use - Properties	Right of use - Industrial and commercial equipment	Right of use - Cars	Total
Historical cost				
As at 1 January 2021	5,990	2,686	735	9,411
Increases	84	377	349	810
Disposals	(4,559)	(126)	(250)	(4,935)
As at 30 September 2021	1,515	2,937	834	5,286
Accumulated amortisation				
As at 1 January 2021	(1,036)	(1,841)	(529)	(3,406)
Amortisation in the period	(426)	(239)	(97)	(762)
Disposals	954	81	174	1,209
As at 30 September 2021	(508)	(1,999)	(452)	(2,959)
Net book value				
As at 1 January 2021	4,954	846	207	6,005
As at 30 September 2021	1,007	938	382	2,327

The comparative table for 2020 is provided below:

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

The decrease in the item relating to the right of use for properties is the direct result of the purchase of the building described in Note 7. The remainder mainly refers to the offices used by the other European companies.

9. DEFERRED TAX ASSETS AND LIABILITIES

Details of deferred tax assets and liabilities are provided below:

	30.09.2021			31.12.2020		
	Amount of temporary differences	Rate	Tax effect	Amount of temporary differences	Rate	Tax effect
Derivatives	156	24.00%	37	312	24.00%	75
Inventory write-down	2,540	24.00%	610	2,825	24.00%	678
Provisions for losses on receivables	147	24.00%	35	147	24.00%	35
Tax losses Jallatte	23,081	25.00%	5,770	25,830	25.00%	6,458
Temporary differences in services provided	73	24.00%	18	412	24.00%	99
Exchange losses from translation	81	24.00%	19	70	24.00%	17
IFRS adjustment of TFR (employee severance indemnity)	196	24.00%	47	198	24.00%	47
TAX AUTH.	457	27.90%	128	457	27.90%	128
Revaluation of trademarks and patents	25,371	27.90%	7,079	27,998	27.90%	7,811
Consolidation entries	1,491	27.90%	416	3,113	27.90%	868
Subtotal deferred tax assets			14,159			16,216
Amortisation of intangible assets	1,862	27.90%	519	2,635	27.90%	735
Gains from translation	74	24.00%	18	52	24.00%	12
Leasing	2	27.90%	1	7	27.90%	2
Taxation of retained earnings to be distributed by subsidiaries	8,888	17.00%	1,511	12,052	17.00%	2,049
Dividends resolved by subsidiaries and uncollected	5,246	12.00%/24.00%	1,259	1,137	12.00%	136
Subtotal deferred tax liabilities			3,308			2,935
Total net deferred tax assets			10,851			13,281

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

The item Jallatte tax losses decreased due to their use in consideration of the profits of Jallatte.

The amount relating to the consolidation entries refers mainly to the elimination of intercompany profits present in inventories at period-end.

The subtotal of the provision for deferred tax liabilities is composed primarily of provisions for withholdings at source of the Tunisian companies and taxes on dividends that

will be distributed by said companies, plus deferred taxes generated as a result of the allocation to trademarks of the differences generated during the phase of first-time consolidation on the French (Jallatte) and Italian (U Group and U-Logistics) branches, and leasing entries.

Management has positively assessed, based on the business plans prepared, the recoverability of deferred tax assets, considering all possible evidence, both negative and positive, based on the timing and amount of future taxable income, future tax planning strategies and the tax rates in force at the time of their reversal.

The amounts relating to deferred tax assets are shown net of deferred liabilities, as they refer to income taxes applied by the same tax jurisdiction and the time horizon of absorption of the temporary differences between deferred tax assets and liabilities is homogeneous.

10. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets amounted to Euro 1.371 thousand. Non-significant equity investments in other companies are not consolidated and are valued at cost, considered similar to fair value. The item includes Bonds issued by Unicredit Spa for a total amount of Euro 1.347 thousand, in addition to the usual security deposits and minor equity investments. For all information on fair value, please refer to note 5. The bonds are subject to pledge in favour of Unicredit as part of the Mini-bond issued by the company in 2020.

11. INVENTORIES

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

Inventories	30 September 2021	31 December 2020	Change
Raw, ancillary and consumable materials	19,130	14,654	4,476
Work in progress and semi-finished products	9,282	8,500	782
Finished products and goods	28,048	27,916	132
Total	56,460	51,070	5,390

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

	Provision for inventory write-down
As at 1 January 2021	10,326
Reduction	(725)
As at 30 September 2021	9,601

The increase in the value of inventories as at 30 September 2021 is closely related to the increase in sales: the group reacted by increasing the levels of raw materials and semi-finished products in order to increase production.

12. TRADE RECEIVABLES

Receivables due from customers as at 30 September 2021 totalled Euro 49,909 thousand, net of the associated bad debt provision of Euro 1,169 thousand. This item is composed entirely of receivables due within the next financial year. The table below shows the breakdown of receivables due from customers by geographical area:

	30 September 2021	31 December 2020
Italian customers	35,095	38,702
EU customers	14,107	12,039
Non-EU customers	707	769
Total	49,909	51,510

The following table breaks down the concentration of trade receivables as at 30 September 2021 and 31 December 2020:

	30 September 2021	% inc.	31 December 2020	% inc.
Top customer	1,471	2.9%	1,096	2.1%
Top five customers	5,257	10.5%	3,310	6.4%
Top ten customers	7,391	14.8%	5,343	10.4%
Total trade receivables	49,909	100.0%	51,510	100.0%

The breakdown of the Group's trade receivables as at 30 September 2021 and 31 December 2020 by maturity is shown below:

	30 September 2021	% inc.	31 December 2020	% inc.
Falling due	46,650	93.5%	49,959	97.0%
Past due within 30 days	1,637	3.3%	731	1.4%
Past due within 30 days and 60 days	997	2.0%	579	1.1%
Past due within 60 days and 90 days	419	0.8%	149	0.3%
Past due after 90 days	1,375	2.8%	1,034	2.0%
Bad debt provision	(1,169)	-2.34%	(941)	-1.8%
Total trade receivables	49,909		51,510	

The movement in the bad debt provision is reported below:

	Bad debt provision
As at 1 January 2020	836
Utilisation - 2020	(199)
Provision - 2020	303
As at 1 January 2021	941
Use in the period - 2021	(19)
Allocation in the period - 2021	247
As at 30 September 2021	1,169

13. RECEIVABLES FROM RELATED PARTIES

Please refer to point 37 of these notes for details on the receivables in question.

14. TAX RECEIVABLES

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

	30 September 2021	31 December 2020
VAT credits	433	493
Other tax credits	4,209	533
Total	4,642	1,026

Other tax credits mainly refer to IRAP (Regional Business Tax) advances paid by companies located in Italy.

15. OTHER CURRENT ASSETS

	30 September 2021	31 December 2020
Security deposits	131	59
Advances to suppliers	4,726	2,554
Other receivables	2,675	2,036
Total	7,532	4,649

'Advances to suppliers' is mainly composed of advances for the purchase of workwear from Asian suppliers.
 'Other Receivables' mainly refer to receivables due from the Tunisian National Social Security Fund. The increase in the period is primarily due to advances paid to employees of the Tunisian subsidiary.

16. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

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

	30 September 2021	31 December 2020
Bank deposits	40,305	37,981
Cash	18	8
Total	40,323	37,989

	30 September 2021	% Incidence	31 December 2020	% Incidence
EUR	39,943	99.1%	37,778	99.4%
TND	136	0.3%	35	0.1%
GBP	238	0.6%	175	0.5%
USD	6	0.0%	1	0.0%
Total cash and cash equivalents	40,323		37,989	

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

The increase compared to the closing date as at 31 December 2020 is due to the net effect of:

- opening of new loans for Euro 13 million
- payment of the logistics property acquired by U-Logistics as described in Note 7,
- repayments of financial payables
- dividend payments to the parent company.

Please refer to the statement of cash flows for details of the movements that occurred.

17. SHAREHOLDERS' EQUITY

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

Shareholders' equity as at 30 September 2021 and 31 December 2020 is broken down below:

(Euro thousand)

	Change			
	30.09.2021	31.12.2020	2021 vs 2020	2021 vs 2020 %
Share capital	10,000	10,000	0	0.0%
Other reserves	4,354	4,188	166	4.0%
Capital contributions reserves	8,600	8,600	0	0.0%
Retained earnings	38,199	22,359	15,840	70.8%
Profit for the period	23,030	33,007	(9,977)	-30.2%
Group Shareholders' Equity	84,183	78,154	6,029	7.7%
Minority interest	-	-	-	-
Total Shareholders' Equity	84,183	78,154	6,029	7.7%

Group equity as at 30 September 2021 amounted to Euro 84,183 thousand (Euro 78,154 thousand as at 31 December 2020), marking an increase of Euro 6,029 thousand, attributable to the combined effect of (i) the profit for the first nine months of 2021 amounting to Euro 23,030 thousand, (ii) the distribution of dividends of Euro 17,100 thousand and (iii) the

change in cash flow hedge reserves for Euro 99 thousand relating to the hedging derivative contracts signed by the Group.

The item Other reserves as at 30 September 2021 and 31 December 2020, with the related changes during the period, is broken down below:

(Euro thousand)

	Change			
	30.09.2021	31.12.2020	2021 vs 2020	2021 vs 2020 %
Legal reserve	2,000	1,933	67	3.5%
Premium reserve	3,517	3,517	-	0.0%
Retained earnings and actuarial losses	(99)	(100)	1	-1.0%
FTA reserve	(951)	(951)	-	0.0%
Hedging reserve	(113)	(211)	98	-46%
Total other reserves	4,354	4,188	166	4.0%

The item Other reserves recorded a balance of Euro 4,354 thousand and Euro 4,188 thousand, respectively, for the periods ended as at 30 September 2021 and 31 December 2020.

For the purposes of managing the Group's capital, it has been defined that this includes the issued share capital, the share premium reserve and all other capital reserves attributable to the shareholders of the parent company. The primary objective of capital management is to maximise shareholder value. The Group manages the capital structure and makes adjustmen-

ts based on the economic conditions and the requirements of financial covenants. In order to maintain or adjust the capital structure, the Group could intervene on the dividends paid. The Group controls equity using a gearing ratio, consisting of the ratio of net financial indebtedness to shareholders' equity. The Group's policy is to keep this ratio below 0.7.

Capital management	30.09.2021	31.12.2020
Non-current financial liabilities	29,093	35,779
Current financial liabilities	19,320	21,203
(Cash and cash equivalents and short-term deposits)	(40,323)	(37,989)
Net financial indebtedness (A)	8,090	18,993
Shareholders' equity (B)	84,183	78,154
Gearing ratio (A/B)	0.10	0.24

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

There were no violations in the covenants linked to interest-bearing financing and loans.

During the periods ended as at 30 September 2021 and 31 December 2020, no changes were made to the objectives, policies and procedures for the capital management.

18. EMPLOYEE SEVERANCE INDEMNITY AND OTHER PROVISIONS RELATING TO PERSONNEL

The provisions refer to severance indemnity for the Italian companies of the Group, and the changes during the period were as follows:

As at 1 January 2020	923
Provisions	160
Utilisations	(89)
Interest	7
Actuarial gains and losses	13
As at 31 December 2020	1,014
Provisions	109
Utilisations	(50)
As at 30 September 2021	1,073

The measurement of Employee severance indemnity for IAS purposes follows the method of projection of the present value of the defined benefit obligation with the estimate of the benefits accrued by personnel.

Following the amendments introduced by Law no. 296 of 27 December 2006 ("2007 Finance Bill") and subsequent decrees and implementing regulations, amounts of employee severance indemnity accrued up to 31 December 2006 will continue to remain with the company as they represent a de-

financed benefit plan (obligation for benefits accrued subject to actuarial evaluation), while amounts accruing from 1 January 2007, due to the decisions made by the employees during the year, will be allocated to forms of complementary pension or transferred from the company to the treasury provision managed by INPS (Italian National Social Security Institution), as they represent, from the moment the decision is formalised by the employee, defined contribution plans (no longer subject to actuarial evaluation).

19. PROVISION FOR RISKS AND CHARGES

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

	30 September 2021	31 December 2020
Provision for pension and similar obligations	2,836	2,274
Other provisions for risks	2,409	2,778
Total non-current provisions for risks and charges	5,245	5,052

The employees severance benefit and similar obligations mainly refer to the compensation for the termination of agent contracts of the subsidiary U Group for Euro 2,266 thousand, of the parent company TFM for Euro 101 thousand, and the pension and indemnity provision for employees of the French branch amounting to about Euro 469 thousand.

Other provisions largely refer to risks on employee contributions of the Tunisian branch for around Euro 2.3 million. Note that the provisions for the pending lawsuit of the French company Jallatte was reversed, as the proceedings were concluded in favour of the company.

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

	Provision for pension and similar obligations	Other provisions for risks	Total
As at 1 January 2020	1,718	2,919	4,637
Utilisation - 2020	(65)	-	(65)
Provision - 2020	621	-	621
Exchange rate effect	-	(141)	(141)
As at 1 January 2021	2,274	2,778	5,052
Utilisation - 2021	-	-	-
Allocation in the period - 2021	563	(400)	163
Exchange rate effect	-	30	30
As at 30 September 2021	2,836	2,408	5,245

20. FINANCIAL LIABILITIES

Financial liabilities are detailed below:

	30 September 2021	31 December 2020
Bank bonds	7,490	3,627
Payables to banks	10,962	16,432
Payables for rights of use	868	1,144
Total current financial liabilities	19,320	21,203
Bank bonds	15,479	21,125
Payables to banks	12,118	9,237
Payables for rights of use	1,348	5,105
Derivative financial instruments	148	312
Total non-current financial liabilities	29,093	35,779
<i>Total financial liabilities</i>	<i>48,413</i>	<i>56,982</i>

	Payables due to banks and bonds	Payables for rights of use	Derivative financial instruments
As at 1 January 2021	50,421	6,249	312
Cash flows	(4,372)	(4,313)	
Change in fair value			(164)
New contracts for rights of use		280	
As at 30 September 2021	46,049	2,216	148
of which current	18,452	868	-
of which non-current	27,597	1,348	148

20.1 PAYABLES DUE TO BANKS AND BONDS

Bank payables are broken down by nature below:

Company	Institute	Description	Currency	Start date	Expiry date	Initial loan in Euro	Balance to be repaid in Euro	Interest rate	Instalment maturity
U-POWER GROUP S.P.A.	Banca Sella	Unsecured loan	Euro	20.11.2019	20.11.2021	1,500	126	0.5% fixed	Monthly
U-POWER GROUP S.P.A.	IBM	Unsecured Loan	Euro	01.03.2020	28.02.2022	52	7	n/a	Quarterly
U-POWER GROUP S.P.A.	BPER	Unsecured Loan	Euro	28.09.2021	28.09.2024	4,000	4,000	3M Euribor variable	Monthly
U-Group S.r.l.	Banco Desio	Unsecured loan	Euro	25.07.2019	10.08.2023	1,000	609	0.95% fixed	Monthly
U-Group S.r.l.	Banco BPM	Unsecured Loan	Euro	22.10.2019	30.12.2022	1,000	420	0.9% - fixed	Quarterly
U-Group S.r.l.	Bnl	Mini mortgage production cycle	Euro	16.05.2019	17.05.2021	3,000	333	0.85% - fixed	Monthly
U-Group S.r.l.	BNL Mediocredito	Medium/long-term Loan	Euro	12.09.2020	09.09.2026	5,000	5,000	3M Euribor + 90 bps - hedging	Quarterly
U-Group S.r.l.	Banco BPM	Unsecured Loan	Euro	22.04.2020	30.06.2022	2,000	1,203	1.05% - fixed	Quarterly
U-Group S.r.l.	Intesa San Paolo	Unsecured Loan	Euro	27.09.2021	27.03.2023	6,000	6,000	0.52% - fixed	Monthly
U-Group S.r.l.	BNL	Mini mortgage production cycle	Euro	29.09.2021	29.09.2023	3,000	3,000	0.4% - fixed	Quarterly
Medium/long-term bank loan							20,698		
U-Group S.r.l.	Banco Desio	Advances subject to collection	Euro	27.09.2018	By revocation	1,200	581	n/a	n/a
U-Group S.r.l.	Intesa San Paolo	Advances subject to collection	Euro			779	779	n/a	n/a
U-Group S.r.l.	Credem	Advances subject to collection	Euro	24.10.2019	By revocation	2,500	998	n/a	n/a
Other	Other	Advance lines	Euro				24	n/a	n/a
Current bank loan							2,382		
Bank Loan							23,080		
Bonds							22,969		
Bank loan and Bonds							46,049		

The balance of payables due to banks and bonds as at 30 September 2021 totalled Euro 46,049 thousand, a reduction of Euro 4,371 thousand compared to the close as at 31 December 2020, also due to the early repayment of mortgages, and represents the actual payable in principal, interest and additional charges accrued and due to banks.

It should be noted that the debt securities are guaranteed by a pledge contract on financial assets (securities and amounts deposited on current accounts) owned by the Company for a total value of at least Euro 5,000 thousand. More specifically:

- Pledge on securities recorded as financial assets for Euro 1,343 thousand.
- Pledge on amounts deposited in a current account with Unicredit Spa with a balance as at 30 September 2021 of Euro 3,951 thousand.

The debt security was recorded under "Bonds - expiring within and after 12 months".

The book value was determined on the basis of the amortised cost criterion.

It should also be noted that the aforementioned contracts are subject to economic/financial parameters; a check is

performed annually following approval of the financial statements to ensure the financial covenants are met, and it is confirmed that no violation of these covenants occurred. It should be noted that there are unused credit lines for approximately Euro 32 million.

20.2 PAYABLES FOR RIGHTS OF USE

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

20.3 DERIVATIVE FINANCIAL INSTRUMENTS

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

For more details relating to derivative financial instruments, please refer to note 5.

21. TRADE PAYABLES

Payables due to suppliers are recorded net of trade discounts; cash discounts are instead recognised at the moment of payment. The nominal value of these payables has been adjusted, at the time of returns or rebates, to the extent corresponding to the amount defined with the counterparty.

This item is composed entirely of payables expiring within the next financial year.

The table below shows the breakdown by geographical area:

	30 September 2021	31 December 2020
Italian Suppliers	23,318	30,552
EU Suppliers	3,041	3,415
Non-EU Suppliers	11,090	7,848
Total	37,449	41,815

The breakdown of the Group's trade payables as at 30 September 2021 and 31 December 2020 by maturity is shown below:

	30 September 2021	% inc.	31 December 2020	% inc.
Falling due	34,869	93.1%	38,581	92.3%
Past due from 0 to 3 months	517	1.4%	1,570	3.8%
Past due from 3 to 9 months	116	0.3%	60	0.1%
Past due from 9 to 12 months	560	1.5%	562	1.3%
Past due after 12 months	1,387	3.70%	1,042	2.5%
Total trade payables	37,449		41,815	

22. TAX PAYABLES

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

	30 September 2021	31 December 2020
VAT	1,413	312
Taxes and duties	9,250	5,931
Tax withholdings	1,614	2,660
Total	12,277	8,903

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

23. OTHER CURRENT LIABILITIES

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

	30 September 2021	31 December 2020
Payables due to social security and welfare institutions	1,744	2,087
Payables due to employees	3,072	2,537
Other payables	127	95
Total	4,943	4,719

24. REVENUES FROM CONTRACTS WITH CUSTOMERS

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

	9 months 2021	% Incidence	9 months 2020	% Incidence	2021 vs 2020	2021 vs 2020 %
<i>Safety footwear</i>	147,043	91.2%	114,763	94.6%	32,280	28.1%
of which U-Power trademark	108,841	67.5%	80,755	66.6%	28,086	34.8%
of which Jallatte trademark	18,296	11.3%	17,104	14.1%	1,192	7.0%
of which Aimont trademark	7,455	4.6%	6,190	5.1%	1,265	20.4%
of which private label	10,719	6.6%	9,403	7.7%	1,316	14.0%
of which other sales/other trademarks	1,732	1.1%	1,311	1.1%	421	32.1%
<i>Safety workwear</i>	14,176	8.8%	6,563	5.4%	7,613	116.0%
of which U-Power trademark	14,176	8.8%	6,563	5.4%	7,613	116.0%
Total revenues from contracts with customers	161,219	100.0%	121,327	100.00%	39,893	32.9%
Total U-Power trademark	123,017	76.3%	87,319	72.0%	35,699	40.9%
Total Jallatte trademark	18,296	11.3%	17,104	14.1%	1,192	7.0%
Total Aimont trademark	7,455	4.6%	6,190	5.1%	1,265	20.4%
Total private label	10,719	6.6%	9,403	7.7%	1,316	14.0%
Total other sales/other trademarks	1,732	1.1%	1,311	1.1%	421	32.1%
Total revenues from contracts with customers	161,219	100.0%	121,327	100.00%	39,893	32.9%

Revenues from Safety Footwear in the first nine months increased from Euro 114,763 thousand as at 30 September 2020 to Euro 147,043 thousand as at 30 September 2021, marking an increase of Euro 32,280 thousand (+28.1%). Note that the first half of 2020 was harshly impacted by the lockdowns due to the COVID-19 pandemic; despite this, we believe that the improvements are also due to the rise in sales of products with cutting-edge technologies adopted by the Group, such as the Infinergy insert with very high energy return used, for example, in the Red Lion line. More specifically:

- Revenues from the U-Power trademark, for the Safety Footwear product category, amounted to Euro 108,841 thousand for the period ended as at 30 September 2021, compared to Euro 80,755 thousand in the period closed as at 30 September 2020, marking an increase of Euro 28,086 thousand (+34.8%), primarily due to the continuous and constant shifting of sales to medium/high-end models and collections, with contemporary design and equipped with highly innovative and high-performing technical systems;
- Revenues of the Jallatte brand, for the Safety Footwear product category, amounted to Euro 18,296 thousand for the period ended as at 30 September 2021, compared to Euro 17,104 thousand for the period ended as at 30 September 2020, showing an increase of Euro 1,192 thousand (+7%);
- Revenues of the Aimont brand, for the Safety Footwear product category, amounted to Euro 7,455 thousand for the period ended as at 30 September 2021, compared to Euro 6,190 thousand for the period ended as at 30 September 2020, showing an improvement of Euro 1,265 thousand (+20.4%) on the previous period;
- *Private label* revenues, for the Safety Footwear product category, amounted to Euro 10,719 thousand for the period ended as at 30 September 2021, compared to Euro 9,403 thousand for the period ended as at 30 September 2020, showing an increase of Euro 1,316 thousand (+14%);
- Revenues from other sales and other trademarks mainly include revenues related to minor trademarks, including Auda and Lupos, and amounted to Euro 1,732 thousand for the period ended as at 30 September 2021, compared to Euro 1,311 thousand for the period ended as at 30 September 2020, marking an increase of Euro 421 thousand.

Revenues of the U-Power trademark, for the Technical Clothing product category, amounted to Euro 14,176 thousand for the period ended as at 30 September 2021, compared to Euro 6,563 thousand for the period ended as at 30 September 2020, showing an increase of Euro 7,613

thousand (+116%), confirming the growth trend recorded in the previous year, mainly due to the combined effect of the introduction of new items with an attractive design and the strengthening of the trademark as described above.

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

	9 months 2021	% Incidence	9 months 2020	% Incidence	2021 vs 2020	2021 vs 2020 %
Italy	82,884	51.4%	57,127	47.1%	25,757	45.1%
France	51,301	31.8%	42,042	34.7%	9,259	22.0%
Germany	8,779	5.4%	7,543	6.2%	1,236	16.4%
Spain	10,132	6.3%	6,353	5.2%	3,779	59.5%
United Kingdom	2,873	1.8%	2,683	2.2%	190	7.1%
Rest of the world	5,250	3.3%	5,579	4.6%	-328	-5.9%
Total revenues from contracts with customers	161,219	100.0%	121,327	100.0%	39,893	32.9%

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

- Italy continued to be the Group's main market, recording revenues of Euro 82,884 thousand in the period ended as at 30 September 2021 (51.4% of the total) compared to Euro 57,127 thousand in the period ended as at 30 September 2020 (47.1% of the total), marking an increase of Euro 25,757 thousand (+45.1%), due to the certain effect of the post-Covid recovery, but also to rising sales of the U-Power brand which, as described above, is the result of the consolidation of the sale of medium/high-end models and collections and the strategic strengthening of the trademark through advertising investments and sponsorships;
- France continues to represent the Group's second-largest market, recording revenues of Euro 51,301 thousand in the period ended as at 30 September 2021 (31.8% of the total) compared to Euro 42,042 thousand obtained in the period ended as at 30 September 2020, an increase of Euro 9,259 thousand (+22%).
- The German market recorded revenues of Euro 8,779 thousand in the period ended as at 30 September 2021 (5.4% of the total), compared to Euro 7,543 thousand in the period ended as at 30 September 2020, marking an increase of Euro 1,236 thousand (+16.4%), also due to the effect of the lockdowns in the first half of 2020. Nonetheless, targeted initiatives are in place like those implemented in Italy, France, and Spain, in order to improve the trend for the current year.
- Spain has greatly improved and is now the Group's third-largest market, recording revenues of Euro 10,132 thousand in the period ended as at 30 September 2021 (6.3% of the total) compared to Euro 6,353 thousand in the period ended as at 30 September 2020 (5.2% of the total), marking an increase of Euro 3,779 thousand (+59.5%), proof that the Group's strategy already tested in Italy and focused on the strengthening of sales of the U-Power brand through medium/high-end models and collections and through advertising investments, is enabling the Group to record highly significant increases in results.

25. OTHER REVENUES AND INCOME

Other income came to Euro 1,635 thousand, and is broken down as follows:

	9 months 2021	9 months 2020
Transport reimbursements	274	202
Other revenues	1,361	582
Total	1,635	784

Other revenues and income amounted to Euro 1,635 thousand for the period ended as at 30 September 2021, compared to Euro 784 thousand in the period ended as at 30 September 2020. The item other revenues mainly includes the reversal of provisions for risks of the subsidiary Jallatte, as described in Note 19, of Euro 400 thousand, an indemnity of Euro 350 thousand received for the transfer of the customer portfolio to a new sales agent, capital gains from disposals, lease income and contingent assets due to the cancellation of liabilities relating to previous years.

26. PURCHASES OF RAW MATERIALS AND CHANGE IN INVENTORIES

The item Raw materials and changes in inventories is detailed as follows:

	9 months 2021	9 months 2020
Purchase of raw materials	43,669	31,632
Purchase of finished products	14,270	6,715
Other purchases	3,143	2,040
Change in inventory of raw materials	(4,476)	(378)
Change in inventory of finished products	(914)	2,698
Total	55,692	42,707

The increase in purchases is directly related to the growth in sales.
For comments on the change in inventories, please refer to note 11.

The table below shows purchases and changes in inventories broken down by reference currency, for the periods ended as at 30 September 2021 and 30 September 2020.

	9 months 2021	% of the total	9 months 2020	% of the total
EUR	40,957	73.5%	35,041	82.0%
TND	1,548	2.8%	1,204	2.8%
USD	10,519	18.9%	6,462	15.1%
CNY	2,587	4.6%	0	0.0%
GBP	82	0.1%	1	0.0%
Total purchases of raw materials and change in inventories	55,692	100.00%	42,707	100.00%

Since the incidence of purchase costs, expressed in currencies other than the Euro, on the total purchase costs is less than 30%, the costs of the Group were not significantly affected by the exchange rate trend.

27. PERSONNEL COSTS

The item 'Personnel costs' is detailed as follows:

	9 months 2021	9 months 2020
Wages and salaries	19,940	16,965
Social security costs	4,113	3,474
Employee severance indemnity	111	98
Total	24,164	20,537

The following table shows the amounts of personnel costs broken down by reference currency, compared to the total amount of these costs for the periods ended as at 30 September 2021 and 30 September 2020.

	9 months 2021	% on total personnel costs	9 months 2020	% on total personnel costs
EUR	9,194	38.0%	7,585	36.9%
TND	14,655	60.6%	12,773	62.2%
GBP	314	1.3%	179	0.9%
Total personnel expenses	24,164	100.0%	20,537	100.0%

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

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

	30.09.2021	31.12.2020
Executives	18	15
White-collar employees and Middle Managers	159	128
Blue-collar workers	4,814	4,208
Total	4,991	4,351

28. COSTS FOR SERVICES

Cost of services is detailed as follows:

	9 months 2021	9 months 2020
Marketing	8,408	9,150
Agent commissions	8,314	5,927
Transport	8,159	5,156
Other expenses	2,314	1,565
Logistics	2,615	1,966
Utilities	1,668	1,631
Advisory services	4,356	1,235
Technical advisory services	1,119	1,192
Bank charges	435	420
Travel and transfer expenses	353	241
Maintenance	460	415
Insurance	364	322
Total	38,565	29,220

Cost of services increased by roughly Euro 9,345 thousand compared to the same period of the previous year. The most significant increases were recognised in agent commissions, logistics and transport and are directly related to increased sales to customers.

Agent commissions increased due to both the increase in sales and the changed bonus policy, which in 2021 were granted also based on six-month targets.

The trend in sales, and the improvement in the service offered to customers, also with shipments split into more batches, also influenced the trend in logistics and transport costs; the latter also underwent price increases during 2021.

The item marketing has been reduced, but is still less than the budget. It is believed that the advertising budget envisaged for the year will be fully expended in 2021 (if marketing costs were distributed constantly throughout the year, there would be additional costs of around Euro 2.8 million in the first nine months).

It should be noted that the increase in consulting costs is mainly due to the expenses incurred for the listing process that was undertaken during the year; as this process has stopped for the time being, the related costs were fully expended in the period. These exceptional and non-recurring costs amount to approximately Euro 2.1 million.

29. OTHER COSTS AND EXPENSES

Other operating expenses are detailed below:

	9 months 2021	9 months 2020
Other expenses	364	256
Indirect taxes and duties	450	541
Losses on receivables	19	-
Cost for use of third-party assets	533	238
Total	1,366	1,035

The item other expenses is mainly composed of contingent liabilities and costs for gifts and samples.

30. DEPRECIATION AND AMORTISATION

The table below shows the details of the Group's depreciation, amortisation and write-downs in the periods ended as at 30 September 2021 and 30 September 2020.

	9 months 2021	9 months 2020
Depreciation of property, plant and equipment	3,093	2,948
Amortisation of intangible assets	781	780
Amortisation of the right of use	763	873
Total depreciation and amortisation	4,636	4,602

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

31. WRITE-DOWNS

	9 months 2021	9 months 2020
Write-down on receivables	228	193
Total write-downs	228	193

32. FINANCIAL INCOME

Financial income for the period amounted to Euro 17 thousand, and mainly refers to interest income.

33. FINANCIAL EXPENSES

Financial expenses are detailed below:

	9 months 2021	9 months 2020
Interest and other financial expenses from other companies: interest expense	450	745
Interest on leasing	129	189
Total	579	934

The restructuring of the indebtedness carried out in the second half of 2020 brought about a reduction in bank interest expense.

34. OTHER FINANCIAL INCOME AND EXPENSE

Other financial income and expenses are detailed below:

	9 months 2021	9 months 2020
Net gains/losses on exchange	224	(55)
Revaluation of financial assets	(67)	(4)
Write-down of financial assets	-	44
Total	157	(15)

The exchange differences relate to both actual gains/losses realised during the nine months and gains/losses recorded at the exchange rate in force at the date of close of the financial statements still not realised.

Assets and liabilities in currency mainly concern the Tunisian affiliates, plus the transactions in GBP relating to the UK market and transactions in USD and CNY relating to the importing from Asian markets of basic safety footwear and workwear. The item also includes write-downs and revaluations of financial assets relating to derivative instruments not recognised under hedge accounting.

35. INCOME TAX

	9 months 2021	9 months 2020
Current taxes	12,055	4,096
Deferred tax liabilities and deferred tax assets	2,399	1,095
Total	14,454	5,191

The increase in current taxes is tied to the improvement in group profit and the increase in the tax rate envisaged for Tunisian affiliates.

The table below shows the reconciliation of the effective tax burden of the Group in the periods ended as at 30 September 2021 and 30 September 2020.

	9 months 2021		9 months 2020	
Profit before taxes	37,484		22,979	
Theoretical tax burden	8,704	23.22%	4,533	19.73%
Losses of French subsidiaries (net DTAs)	-792	-2.11%	-851	-3.70%
Dividends and non-distributable profits	1,243	3.32%	1,029	4.48%
Trademark revaluation	733	1.96%	-	-
Tax risks	405	1.08%	0	0.00%
Other permanent differences	3,020	8.06%	-112	-0.49%
IRAP	1,141	3.04%	592	2.58%
Actual tax burden	14,454	38.56%	5,191	22.59%

The tax burden includes, among other things, the substitute tax on the release of the revaluation reserve pursuant to Law 126/20 equal to 10% of the reserve itself; the directors decided to recognise the related charge in the income statement. The tax burden, net of the aforementioned tax, would be 31%.

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

To make the impact of financial instruments on the equity and financial position, result of operations and the cash flows of the Group easier to understand, some qualitative information is provided below to facilitate the understanding of the Group's exposure to the various types of risks on the financial instruments in place and the related management policies.

The activities are exposed to various types of risk, including the credit risk and liquidity risk, the exchange rate risk and the interest rate risk.

CREDIT RISK

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

The type of customers targeted by the Group's products allows the Group to assess the credit risk as medium.

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

LIQUIDITY RISK

Liquidity risk is defined as the risk that an entity may have difficulty in meeting the obligations associated with financial and commercial liabilities within the pre-set terms and due dates.

The prudent management of the liquidity risk originating from the usual operating activities of the Group that allows an adequate level of cash and cash equivalents to be maintained enables it to assess the liquidity risk as low.

As regards the reconciliation between the liabilities shown in the statement of financial position and the cash flows, as well as the maturity dates of the financial indebtedness, please refer to the tables in Note 20.

Note should also be taken, as detailed in note 20.1, of the unused credit lines.

INTEREST RATE RISK

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

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

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

A sensitivity analysis is presented below, which shows the effects on the consolidated net result deriving from an increase/decrease in interest rates of 50 basis points compared

to the specific interest rates as at 30 September 2021 and 31 December 2020 with other variables remaining constant, excluding the effects of hedging derivatives:

Change	30.09.2021		31.12.2020	
	-0.50%	0.50%	-0.50%	0.50%
<i>Euro (Euribor)</i>	0	172	0	181
Total	0	172	0	181

The sensitivity analysis as at 30 September 2021 and 31 December 2020 for the financial indebtedness of U-POWER GROUP S.P.A. is shown below, which illustrates the potential effects deriving from changes in the interest rate on an annual basis, including the effects of hedging derivatives:

Change	30.09.2021		31.12.2020	
	-0.50%	0.50%	-0.50%	0.50%
<i>Euro (Euribor)</i>	0	12	0	33
Total	0	12	0	33

The potential impacts reported above are calculated by taking as a reference the liabilities that represent the most significant part of the debt at the reference date and by calculating, on this amount, the potential effect deriving from the change in interest rates on an annual basis.

The liabilities subject to this analysis include floating-rate financial payables and derivative financial instruments whose value is affected by changes in interest rates.

EXCHANGE RATE RISK

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

The following table shows the amounts and percentage incidences of revenues in foreign currency, broken down by reference currency, compared to the total amount of revenues for the years ended as at 30 September 2021 and 30 September 2020.

	9 months 2021	% inc.	9 months 2020	% inc.
EUR	160,516	98.6%	119,946	98.2%
GBP	2,329	1.4%	2,165	1.8%
USD	9	0.0%	0	0.0%
Total revenues and income	162,854	100%	122,111	100%

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

The following table shows the amounts of the total purchases of raw materials and changes in inventories broken down by reference currency, compared to the amount of revenues from contracts with customers for the periods ended as at 30 September 2021 and 30 September 2020.

	9 months 2021	% of revenues from contracts with customers	9 months 2020	% of revenues from contracts with customers
EUR	40,957	25.1%	35,041	28.7%
TND	1,548	1.0%	1,204	1.0%
USD	10,519	6.5%	6,462	5.3%
CNY	2,587	1.6%		
GBP	82	0.1%	1	0.0%
Total purchases of raw materials and change in inventories	55,692	34.2%	42,707	35.0%

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

The following table shows the amounts of personnel costs broken down by reference currency, compared to the amount of revenue from contracts with customers for the periods ended as at 30 September 2021 and 30 September 2020.

	9 months 2021	% of revenues from contracts with customers	9 months 2020	% of revenues from contracts with customers
EUR	9,194	5.7%	7,585	6.3%
TND	14,655	9.1%	12,773	10.5%
GBP	314	0.2%	179	0.1%
Total personnel expenses	24,164	15.0%	20,537	16.9%

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

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

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

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

The following table shows, with reference to the main monetary assets and liabilities, the amounts, as at 30 September 2021 and 31 December 2020, of the exposures in

currencies other than the reporting currency of each of the Group companies, with their impact on the total of the respective items:

(Euro thousand)

	As at 30 September 2021										
	EUR	% incidence on the total	TND	% incidence on the total	USD	% incidence on the total	GBP	% incidence on the total	CNY	% incidence on the total	Total
Trade receivables	49,365	98.9%	0	0.0%	0	0.00%	0	0.0%	545	1.1%	49,909
Trade payables	30,775	82.2%	2,048	5.5%	3,660	9.8%	59	0.2%	908	2.4%	37,449

(Euro thousand)

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

A sensitivity analysis is presented below, which shows the effects on the net result, and consequently also on the consolidated shareholders' equity, deriving from an increase/decrease in the exchange rates of foreign currencies compared to the effective exchange rates as at 30 September 2021 and 31 December 2020.

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

(Euro thousand)

	As at 30 September 2021					
	-5.00%	5.00%	-10.00%	10.00%	-15.00%	15.00%
TND	564	(511)	1,191	(975)	1,892	(1,399)
USD	33	(30)	69	(57)	110	(82)
GBP	(29)	27	(62)	51	(99)	73
CNY	(6)	5	(12)	10	(19)	14
Total	577	(508)	1,186	(971)	1,884	(1,393)

(Euro thousand)

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

Investment commitments

There are no investment commitments.

Guarantees

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

Contingent liabilities

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

37. DISCLOSURE ON RELATED PARTIES

Note 1 reports information relating to the Group structure, including details on the subsidiaries and the parent company. All transactions are regulated at arm's length, taking into account the characteristics of the goods and

services provided. The following table provides the total amount of the transactions with related parties during the period:

(Euro thousand)

	Receivables	Payables	Revenues	Costs
Fin Reporter S.r.l. (parent company)	4	16,865		132
PFU S.r.l. (related company)	7		3	
Total	11	16,865	3	132

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

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

38. SEGMENT REPORTING

IFRS 8 - Operating segments requires operating segments to be identified on the basis of the internal reporting system that the company's top management uses to allocate resources and assess performance. The products distributed by the Company do not present, with regard to their economic and financial characteristics, elements that are significantly different from each other in terms

of the nature of the product, the nature of the production process, distribution channels, geographical distribution or type of customer. Therefore, the subdivision required by the accounting standard is, in light of the requirements of paragraph 12 of the standard, not necessary because it is considered to be of limited disclosure for the reader of the financial statements.

39. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

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

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

* * * * *

Paruzzaro, 23 November 2021

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



U-Power Group S.p.A.

**Review report on the interim condensed consolidated
financial statements at 30 September 2021**

Review

report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Sole Shareholder of
U-Power Group S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows and the related explanatory notes of U-Power Group S.p.A. and its subsidiaries (the "U-Power Group") at 30 September 2021. The Directors of U-Power Group S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of U-Power Group at 30 September 2021 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Other matters

The interim condensed consolidated financial statements of U-Power Group for the nine-months period ended 30 September 2020 have not been audited or reviewed.

Milan, 24 November 2021

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

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

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Creative concept,
design and layout



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U. Power