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E-MARKET SDIR CERTIFIED

Civitanavi Systems S.p.A.

Annual Financial Report
31 December 2021

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Company Data and Governance

Registered office of the Company
Civitanavi Systems S.p.A.
Via del Progresso 5, 63827
Pedaso (FM) - Italy
VAT no. IT01795210432

Corporate website
https://www.civitanavi.com

Board of Directors

Andrea Pizzarulli	Chairman of the Board of Directors and CEO
Michael Perlmutter	Non-executive director
Thomas Jung	Non-executive director
Mario Damiani*	Non-executive director
Laura Guazzoni*	Independent director**
Maria Serena Chiucchi*	Independent director**
Tullio Rozzi*	Independent director**

Lead Independent Director: Laura Guazzoni*

Remuneration and Appointments Committee

Laura Guazzoni*	Chairwoman
Maria Serena Chiucchi*	Member
Tullio Rozzi*	Member

Control and Risk Committee

Laura Guazzoni*	Chairwoman
Maria Serena Chiucchi*	Member
Tullio Rozzi*	Member

Board of Statutory Auditors

Marco Donadio	Chairman of the Board of Statutory Auditors
Cesare Tomassetti	Standing Statutory Auditor
Eleonora Mori	Standing Statutory Auditor
Giuseppe Mogliani	Alternate Statutory Auditor
Daniela Angeloni	Alternate Statutory Auditor

Auditing Firm BDO Italia S.p.A.

Executive Competent for drafting the company's accounting documents Letizia Galletti*

**In office from the Start Date of Trading in the Euronext Milan of the Italian Stock Exchange, on 17 February 2022*
***Independent director pursuant to art. 148, paragraph 3 of the TUF [Consolidated Law on Finance], as cited in art. 147-ter, paragraph 4 of the TUF and pursuant to the Corporate Governance Code.*

Methodological note

Values are reported in thousand euro and/or to euro punctual within the Directors' Report on Operations and Finanacial Statements documents, accompanied by the related Notes.
Percentage ratios, margins and variations, have been calculated referring to punctual euro values.

Letter to Shareholders

To the Shareholders,

This Annual Financial Report for the year that ended on 31 December 2021, of the company Civitanavi Systems S.p.A. (hereinafter also referred to as the "Company") consists of the statement of financial position, the income statement, the net equity, and the cash flow statement, as well as the notes, together with the Directors' Report on Operations for the year ended 31 December 2021.

With effectiveness from 12 October 2021, the company transformed into a Public Limited Company by virtue of a notarial deed dated 7 October 2021, taking steps to appoint the Board of Statutory Auditors.

On 13 October, the ordinary meeting of the shareholders accepted the resignation of the sole administrator and appointed a new managing body composed of three members, envisaging the appointment of two additional independent directors, subjecting the appointment to the condition precedent that the ordinary shares of the Company would start trading in the Euronext Milan of the Italian Stock Exchange. On 21 December 2021, the meeting also appointed two additional directors, of whom one is independent, with a similar condition precedent.
On 17 February 2022, the company started trading at the Italian Stock Exchange in the Euronext Milan main market with the code ISIN IT0005466153. The Company and the parent company Civitanavi Systems Ltd opted to include in such Offer a total number of 7,760,000 Shares, of which 5,760,000 Shares originating from a capital increase decided by the Company on 13 January 2022, and 2,000,000 Shares put up for sale by the parent company. Moreover, the Greenshoe Option – elarged to the Selling Shareholder Civitanavi Systems Ltd – has been partially asserted for an amount of 674,500 Shares out of a maximum amount of 776,000 Company Shares. The offer price was set at EUR 4.00 per Share.

A total of 8,434,500 Shares were allocated at the Offer Price, of which:

- 5,760,000 ordinary Shares newly issued by the Company, originating from the Capital Increase;

- 2,000,000 Shares put up for sale by the Selling Shareholder;

- 674,500 Shares of the Over-allotment Option granted by Civitanavi Ltd.

Based on the Offer Price, the Institutional Placement amounts to approximately EUR 33.7 million The stock is equal to 27.4% of the share capital of Civitanavi and the Company's capitalisation, calculated on the Offer Price, on the trading start date amounts to approximately EUR 123 million.
Based on the Offer Price, the net proceeds due to the Company in relation to the Capital Increase, net of maximum commissions (including any discretional components) to be paid to the Joint Global Coordinators and to the Sponsor amount to EUR 21.8 million.

At the document date share capital, entirely registered and paid up, amounts to EUR 4,244,000 divided into nr. 30,760,000 ordinary shares, without indications about the nominal value and dematerialised. Any ordinary share grant the right of vote in ordinary and extraordinary assemblies, as well as the other administrative rights provided for by the applicable legal dispositions and the Statutory. The Company has not in place any purchasing program of own shares and the Company is not currently holding any own share.

It has not been issued any category of shares granting right of vote or any nature of right different than ordinary shares. Also, it has not been issued any financial instruments that grant the right to subscribe new issued shares.

The Financial Statements on 31 December 2021 were drafted in compliance with the EU-IFRS. The financial statements that we submit for your approval close with a total profit of EUR 4.8 million, following the accounting of accrued taxes for EUR 1.7 million, and amortisation/depreciation and write-downs for a total of EUR 1 million.

The 2021 results confirm the expectations in terms of total revenues of 25.1 million Euro (+31%) and EBITDA of 7.8 million Euro (+55%), with a double-digit growth in the main financial indicators. Booking reaches a record value of EUR 29.8 million.

The results achieved confirm a solid and stable growth, strengthening our position in the field of inertial stabilization and navigation systems globally. The expectations in terms of increase in total revenues and EBITDA compared to the same period of 2020, allow us to confirm what was indicated to the market during the IPO process. The positive trend is supported by the investments we are performing to expand the production capacity, with the aim to consolidate our relationships with international players of very high strategic importance. All this strengthens our confidence for 2022, despite the current situation of general uncertainty, thanks also to the solidity of our supply chain and the wide geographic diversification of our customer portfolio. We continue to work at a fast pace to drive growth with a view to creating value for our customers and shareholders, through continuous innovation and the entrepreneurial spirit that has always characterized us.

Signed by
Andrea Pizzarulli
Chairman of the Board of Directors and CEO

Directors' Report on Operations

The Directors' Report on Operations intends to provide disclosure on the Company's situation and on the performance of the management as a whole and int the various segments in which it operates, including through subsidiaries.

The Financial Statements have been arranged in XTHML format in compliance with the dispositions of Delegated Regulation (EU) 2019/815 of the European Commission about technical rules relating to the specification of the single electronic communication format (ESEF – European Single Electronic Format - "Delegated Regulation").

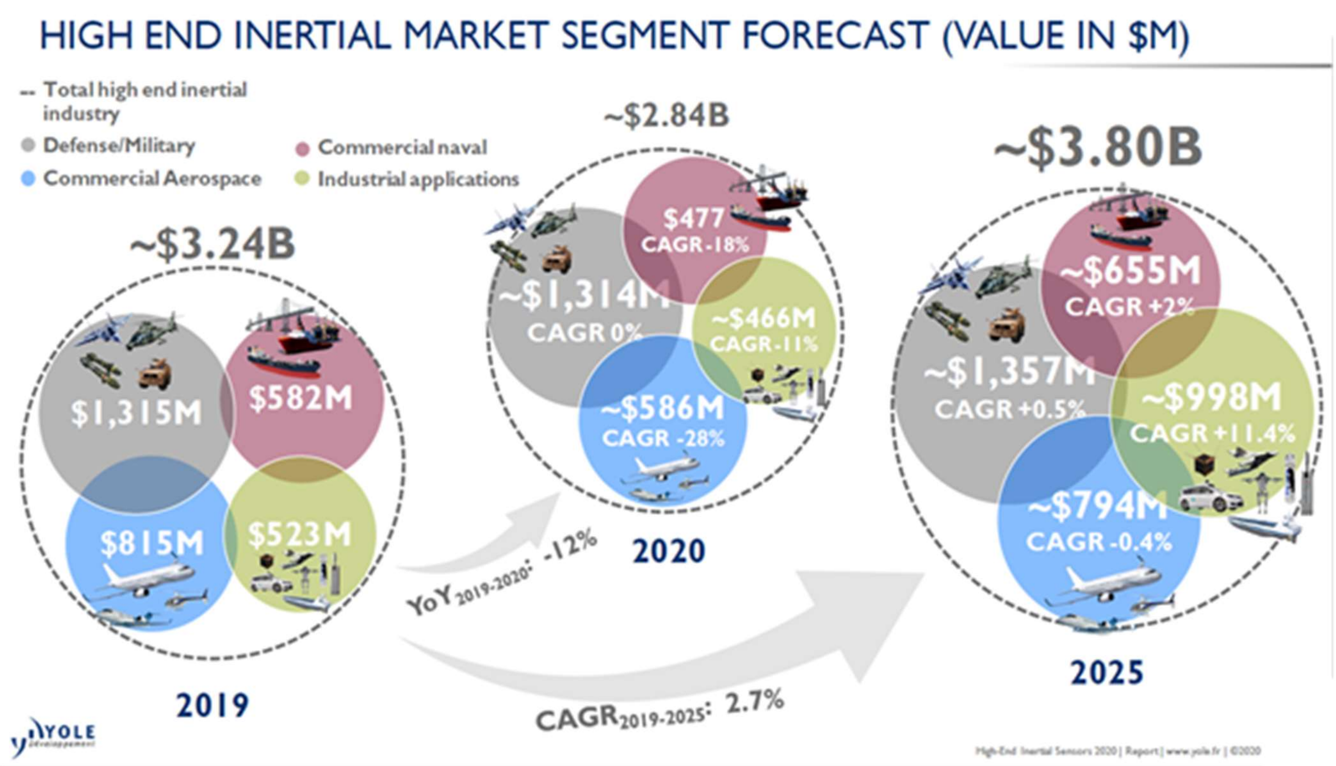
Economic environment situation

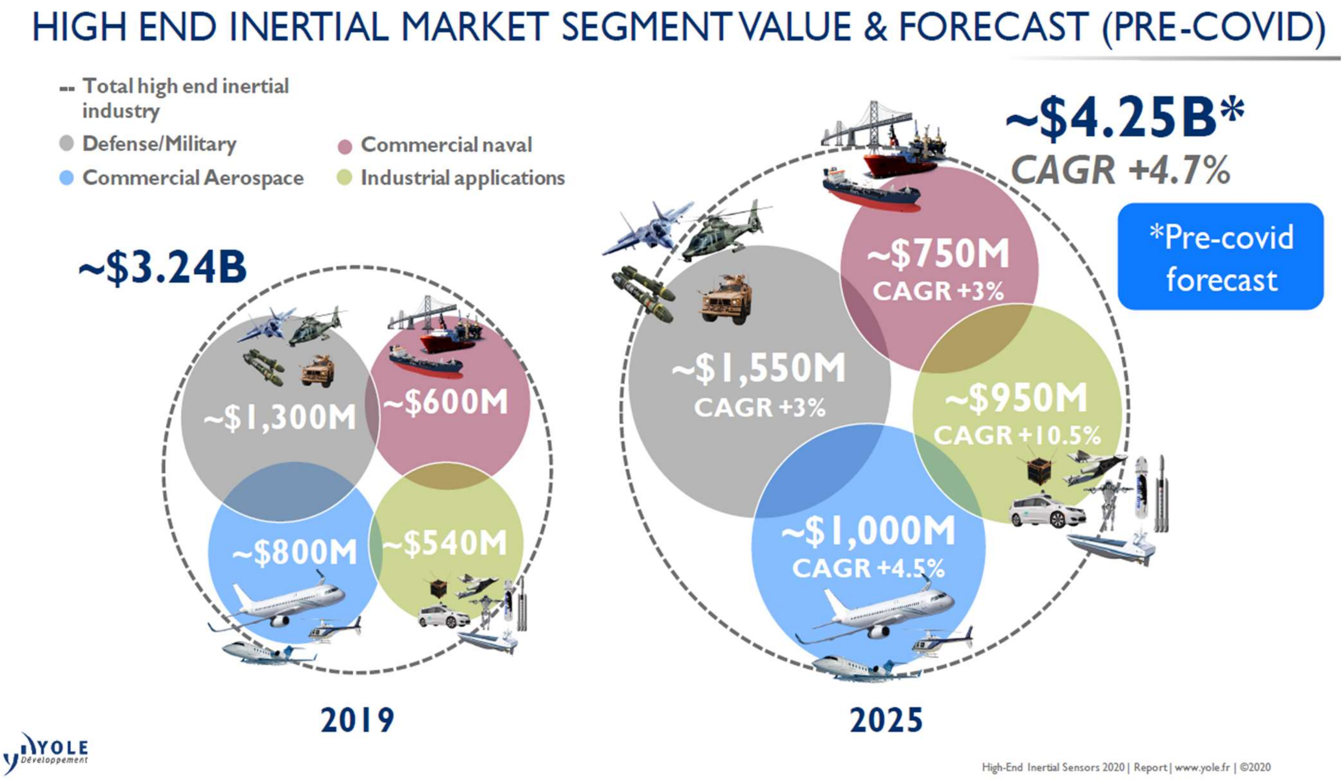
Acting mainly in an international market, the economic context of sensoristics and inertial navigation is growing. Year 2021 is still affected by the particular situation caused by Covid-19 pandemic which has slightly decelerated the general growth of the market of interest.
High tech (especially for semiconductors) and raw materials markets is strongly influenced by geo-political factors, the effects of Covid-19 pandemic and the increase in consumption of electronic devices with consequent lacks of raw materials for manufacturing activities.

Demand growth and company's markets trend

The situation of the global market demand for inertial navigation systems is reported in this chapter, actual $ 3.8B (source: Yole) are lower than expected forecasts (of the Yole itself) pre-pandemic.

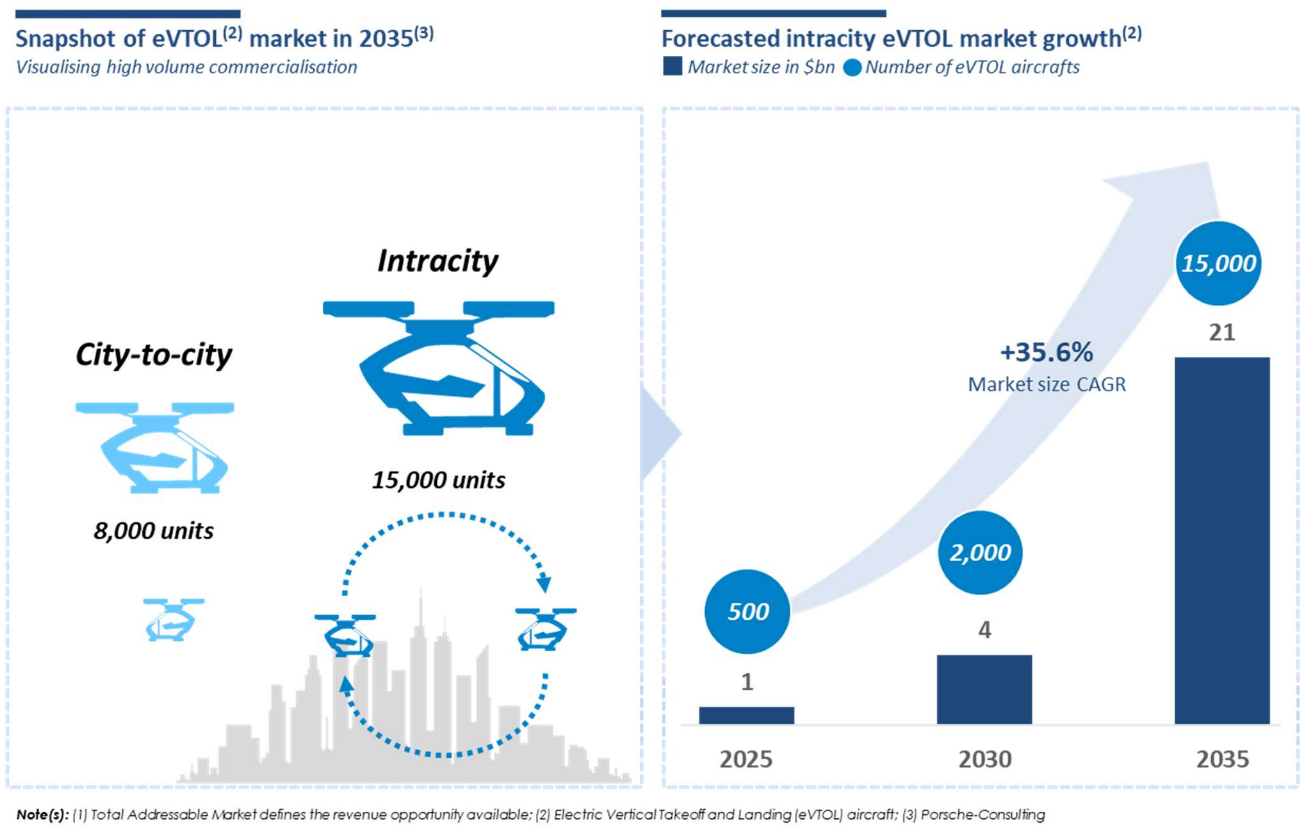
As the Company possesses ITAR-FREE (International Traffic in Arms Regulations from USA State Department) technology, the concentration of business development activities are mainly focused on ITAR-FREE requirements or USA content free customers.





Moreover, there are significant trends in relevant sectors of the market where the Company is working, more specifically Aerospace and Defence (Avionic, Space, Land, Naval/Other) and Industrial (Mining, Oil & Gas and Horizontal Directional Drilling).

Noteworthy markets are Advanced Air Mobility for transportation of people and goods, sustainable vertical mobility solutions based on point-to-point vertical takeoff and landing flight on short/medium distance by using hybrid/electric propulsion aircraft (eVTOL). Graphic below highlights the growth potentialities of this sector:



Company performance and analysis of the results for the financial year that ended on 31 December 2021

The Company, incorporated in 2012 (with maturity on 31 December 2100), is a solid corporate entity with three offices in Italy, operating in the sector of the design, development and production of navigation and stabilisation systems in the aerospace and defence (naval, land, aeronautics, and space) and industrial (mines, oil & gas, tunnelling and horizontal drilling) segments, as well as the provision of consultancy services to undertakings in the same segments.
More specifically, the Company is a vertically integrated supplier of highly accurate inertial systems, designed and manufactured with proprietary methods and techniques, based on FOG (*Fiber Optic Gyroscope*) and MEMS (*Micro Electro Mechanical Systems*) technology, integrated with satellite navigation devices (GPS).

Thanks also to the founders', Andrea Pizzarulli and Michael Perlmutter, many years of experience in the sector, the Company fast became an important player in the global market for applications in the field of aerospace and defence and for commercial applications, being born as an innovative start-up and becoming an innovative SME in 2017.

The Company carries out its activity at the registered office and production site of Pedaso (FM) and at two additional sites, in Ardea (RM) and in Casoria (NA). The Pedaso (FM) site hosts the administrative structure, the sales structure, the main research and development centre, as well as the prototyping and industrial production plants. At the Ardea (RM) and Casoria (NA) sites, located in an area specifically dedicated to the development of aerospace-related activities, the Company carries out design activities on top of those carried out at the main site. Moreover, at the Ardea (RM) site, the company performs sales activities that are specifically dedicated and intended for operators in the Rome area. In 2020, Civitanavi incorporated a company in London, mainly dedicated to sales activities; the London branch is not yet operative in 2021.

The **2021 results confirm the expectations in terms of turnover and EBITDA**. In 2021, the company confirmed the strong and constant growth trend, going from EUR 19,135 thousand of total Revenues on 31 December 2020 to EUR 25,142 thousand on 31 December 2021, with a growth in terms of total Revenues of 31%, notwithstanding the situation caused by the pandemic which persisted during the year.

In the year 2021 the company stipulated a multi-year contract with a US company, leader in the aerospace sector, for the development of an inertial measurement unit, and a multi-year partnership with a leading company in the Aerospace and Defence sector.
Our procurement chain, planning, and production base have provided exceptional support to our services, meeting the expectations in terms of turnover and EBITDA, notwithstanding the significant pressure on procurement chains. With regard to this latter point, the procurement of raw materials, components, and semi-finished products, we would like to point out that the Company carries out periodic reviews of the estimates regarding its needs, based on the expected production volumes, so as to guarantee the constant availability of the materials required in order to maintain its production capacity.

Going against the usual trend observed in companies at the start-up stage, the company has grown constantly since its establishment, both in terms of turnover and in terms of economic results. The company's ability to generate income since its inception gives an idea of the unique features of Civitanavi Systems. The company is currently going through a development phase with transformation phenomena that have had an effect on its business, taking it from the sale of services to the sale of products with highly innovative and technological features. The company has not yet reached its expected profitability levels, as the income for 2020 and 2021 is not representative of the company's potential for growth. Similarly, to what was the case for the financial year 2020, the financial statements of 31 December 2021 ended on a positive note, with an increase in the company's turnover and market share, in a period shaped by a global emergency that did away with certainties from a social and economic point of view. The continuous restrictions to mobility directly affected the development of new business deals, as this type of market requires the continuous and direct exchange of opinions and ideas with potential customers. This slowing down delayed the conclusion of important opportunities; the year 2021, however, despite the extremely positive results, is not representative of the company's exponential growth trend.

The gross operating margin (EBITDA) for 2021 is higher than that for 2020, accounting for a percentage of total revenue that went from 26% to 31% on 31 December 2021. Please note that, in the financial statements for 2021, the Company capitalised development costs of EUR 816 thousand (of which EUR 24 thousand to "Development costs" and EUR 792 thousand to "Fixed assets in progress and advance payments"). The adjustment of EBITDA (EBITDA adjusted) on 31 December 2020 with regard to development costs resulted to EBITDA accounting for 35.6% of total income (2021 EBITDA adjusted of 31.8%). Please note that, during 2021, the amount of internal development costs incurred by the company decreased compared to 2020, as the company focused its development activities on programs commissioned by customers (such cost category is not considered for R&D tax credit purposes).
Please note that, in 2021, the Company capitalised the development costs as they met the requirement of their future use, in accordance with what is laid down in the applicable accounting standards (IAS 38). In order to make it possible to compare the economic data that also refer to previous financial years and to express the correct operational profitability, the Company used the "EBITDA Adjusted" indicator, in the context of which, it, inter alia, neutralised, for the previous financial years, the effect of development costs to which the capitalisation requirement would have applied.

The profitability in financial statements of 31 December 2021 keenly felt the effect of the increase, compared to 2020, in the sale of product categories with different margins. Please note that the company, in an agreement with a leading customer of the Aerospace & Defence sector, signed in previous years, deemed that the sale of a significant number of KITs, essentially at cost price, was of strategic importance. This agreement had a negative effect on the margins for the year 2020 (sales of EUR 1,643 thousand for the year 2020) and particularly on those for 2021 (sales of EUR 4,543 thousand for the year 2021); at the same time, however, it encouraged the loyalty of an international player with a very high growth potential and also represents an important opportunity for additional income in 2022, in terms of Royalties.

With reference to the activity segments in which the Company operates, the table below shows the figures achieved in 2021 compared to the previous financial year.

in EUR thousands	**31 December 2021**	**% of the 2021 total**	**31 December 2020**	**% of the 2020 total**
Aeronautics	6,781	28%	1,177	7%
Land defence	1,052	4%	2,028	11%
Space	3,411	14%	4,809	26%
Other (Naval, Submarine, Guidance)	4,048	17%	3,528	19%
Total Aerospace and Defence	**15,292**	**63%**	**11,543**	**63%**
Industrial	**8,572**	**36%**	**6,696**	**37%**
Other	**147**	**1%**	**11**	**0%**
Total Operating revenues net of the change in FP/SFP inventories	**24,011**	**100%**	**18,249**	**100%**
Change in FP and SFP inventories	**987**		**39**	
Total Operating revenues	**24,998**		**18,288**	

The Company reported a solid performance in all business segments, confirming a significant portion of the Aerospace and Defence sector and, at the same time, a constant presence in the Industrial segment. Civitanavi confirms its path to growth in all core sectors of its business.
With reference to the geographical area, the table below shows the figures achieved in 2021 compared to the previous financial year.

in EUR thousands	**31 December 2021**	**% of the 2021 total**	**31 December 2020**	**% of the 2020 total**
APAC	7,655	32%	4,882	27%
EMEA (except Italy)	8,881	37%	10,036	55%
Italy	5,701	24%	2,499	14%
USA	1,774	7%	786	4%
Rest of the World	0	0%	46	0%
Total Operating revenues net of the change in inventories	**24,011**	**100%**	**18,249**	**100%**
Change in FP and SFP inventories	987		39	
Total Operating revenues	**24,998**		**18,288**	

The operating revenues of EUR 24,998 thousand for the financial year that ended on 31 December 2021 increased by 37% compared to the financial year 2020; the diversification of the customer portfolio by geographical area is guaranteed. Please note that the Company does not entertain trade relations of any kind with the Russian Federation, Belarus and Ukraine.

Booking

An important sign of the growth of the Company's activities is given by the evolution recorded in recent years of customer orders comprehensively obtained during one financial year, regardless of whether such orders were fulfilled or not during that same financial year (a phenomenon known as "Booking"). During the three-year period from 2018 to 2020, the Company's Booking amounted to EUR 13.9 million, 13.5 million, and EUR 18.1 million, respectively.
On 31 December 2021, the Booking for 2021 amounts to EUR 29.8 million, a record in terms of orders received during a single financial year.

The table shows the booking growth trend and the related % of total revenues.

in EUR millions	2018	2019	2020	2021
Booking	13.9	13.5	18.1	29.8
% of Total Revenue	132%	78%	95%	119%

Foreseeable evolution of business performance, Backlog and Pipeline

The year 2021 was one-of-a-kind, due to a series of unprecedented events. The COVID-19 pandemic, which started in early 2020, continued to persist in all countries of the world, producing a continuous series of restrictions and limitations to social and work life. However, the global effort for vaccination helped stimulate an economic recovery in many markets, also powered by significant fiscal stimulation schemes.
Looking to 2022 and beyond, the Company continues to be optimistic about long-term demand trends in our sector, fuelled by its two main distinctive competitive characteristics.

For 2022, the company foresees rising income volumes sustained by the development of backlogged activities on programs and a good flow of new orders. It is confirmed that profitability will be high also thanks to the initiatives for the optimisation of industrial processes and the improvement of the main products' competitivity, despite the fact that the company is feeling the effect of the difficulties encountered in the availability of critical raw materials on the market.

With regard to the procurement of raw materials, components, and semi-finished products, we would like to point out that the Company carries out periodic reviews of the estimates regarding its needs, based on the expected production volumes, so as to guarantee the constant availability of the materials it needs in order to maintain its production capacity. With the exception of a relative difficulty with regard to the procurement of electronic materials, which the Company has to date circumvented by thoroughly planning its needs, there are no significant trends that would compromise the company's ability to keep the warehouse stocks needed to sustain production.

With regard to the evolution of the situation that involves the Russian Federation, Belarus and Ukraine, the Company confirms that it does not entertain relations of a commercial or other nature with these Countries and that no relations are foreseen in 2022. The Company confirms that, also in 2022, its Operating revenue by Country will be highly diversified.

Hard Backlog, Soft Backlog and Pipeline

Definitions:

- Backlog: The value resulting from the sum of Hard Backlog and Soft Backlog.
- Hard Backlog: This term means existing contracts that relate to orders that have not yet been delivered to the customers and the related order indications, to which the Company allocates a 100% probability that they will be placed, net of the revenue that has already been recorded in the Company's income statement.
- Soft Backlog: This term means the value of existing contracts, options and letters of intent, as well as contracts at an advance stage of negotiations, that are not already included in the Hard Backlog.
- Pipeline: Flow of potential contracts, with new or already existing customers, that the company is developing.

On 31 December 2021, the counter value of the product purchase contracts and orders that have already been formalised between the Company and its customers, net of the value of revenue that was already recorded as at the same date, (without prejudice to cases of reduction, suspension or termination) amounted to a total of EUR 18.6 million ("Hard Backlog"). This Backlog mainly refers to the "Aerospace and Defence" segment, as the "Industrial" segment has a short lead time and the orders are concluded, on average, within three months from their execution.

In the context of its usual planning activity, taking into account the market of reference and its position and typical activity, the Company internally also prepares data, of a purely management-related nature, that relate:

(i) to the potential counter value of the opportunities arising from the renewal and extension of already signed contracts or from opportunities that have not yet been confirmed with a contract to which the Company assigns (as a weighing factor) a probability of being stipulated of at least 50% ("Soft Backlog"), and which, on 31 December 2030, amount to a total of EUR 513.1 million;

(ii) to the potential counter value of the opportunities arising from the renewal and extension of already signed contracts or from opportunities that have not yet been confirmed with a contract to which the Company assigns (as a weighing factor) a probability of being stipulated lower than 50% ("Pipeline"), and which, on 31 December 2030, amount to a total of EUR 684.4 million.

The aforementioned values are not meant to provide an indication with regard to possible future objectives, nor do they constitute an expectation in terms of revenues, and, in the Company's opinion, are characterised by significant uncertainty, as *(i)* they are only internal prospects of the Company made in the context of its own typical planning; *(ii)* have both endogenous and exogenous features, also linked to the long period of time to which such values refer; and *(iii)* they cannot be compared to other market studies, as they may refer to a longer period of time than that included in such studies.

The Soft Backlog and Pipeline values, in particular, take into consideration expectations based on hypothetical scenarios formulated by the Company that may not come about, in whole or in part, due to unforeseeable events or due to incorrect assessments by the Company or which may come about with values that do not match those initially measured by the Company.

Analysis of the economic, equity and financial data

Below please find the charts, reclassified in accordance with current financial analysis practices, of the economic, equity and financial data for the financial year that ended on 31 December 2021 compared to 31 December 2020.

Analysis of the reclassified economic data

in EUR thousands and as a percentage of Total Revenues	**31 December 2021**	**%**	**31 December 2020**	**%**
Operating revenues	24,998	99%	18,288	96%
Other revenues and income	144	1%	847	4%
Total revenues	**25,142**	**100%**	**19,135**	**100%**
Cost of purchase of goods and change of inventories	8,669	34%	6,549	34%
Services costs	3,627	14%	2,867	15%
Personnel costs	4,673	19%	4,255	22%
Other operating costs	411	2%	455	2%
Total operating costs	**17,380**	**69%**	**14,125**	**74%**
Operating Result before amortisation and depreciation and write-downs (EBITDA)	**7,762**	**31%**	**5,010**	**26%**
Write-downs of net financial assets	49	0%	33	**0%**
Amortisation and depreciation and write-downs	1,019	4%	939	**5%**
Operating profit (EBIT)	**6,695**	**27%**	**4,038**	**21%**
Financial income	100	0%	141	1%
Financial expenses	(204)	(1%)	(193)	(1%)
Profit (Loss) before tax	**6,591**	**26%**	**3,985**	**21%**
Income taxes	(1,712)	(7%)	1,906	10%
PROFIT / (LOSS) FOR THE YEAR (A)	**4,879**	**19%**	**5,891**	**31%**
Other Profits/(Losses) in the Comprehensive Income Statement net of the tax effect	**4,879**	**19%**	**5,891**	**31%**
Profits/(Losses) from re-measurement of liabilities for defined benefit schemes for employees	(18)	0%	(36)	10%
Cash flow Hedges	26	0%	3	31%
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR (A) + (B)	**4,886**	**19%**	**5,858**	**31%**

The operational management economic results for the financial year that ended on 31 December 2021 are as follows: total revenues of EUR 25,142 thousand (EUR 19,135 thousand on 31 December 2020); EBITDA of EUR 7,762 thousand (EUR 5,010 thousand on 31 December 2020); EBIT of EUR 6,695 thousand (EUR 4,038 thousand on 31 December 2020).
The decrease in the net profits for the financial year is attributable to the simple fiscal effect of the recognition of deferred taxes in 2020 following the fiscal re-measurement; as proof of this, the result before tax of 2021 is significantly higher than that of 2020.
Please note that, in 2020, "Income taxes" included the recognition of deferred taxes arised from the tax benefit that resulted

from the re-measurement pursuant to the provisions of article 110 of (It.) Decree Law 104/2020 (converted with amendments by (It.) Law 126/2020) in the financial statements of 31 December 2020, approved in accordance with the national accounting principles and subject to derecognition on first adoption of the EU-IFRS.

Analysis of the reclassified equity data

in EUR thousands	**31 December 2021**	**31 December 2020**
Trade Receivables	9,636	6,527
Assets for work in progress on order	17,285	12,411
Inventories	5,549	2,951
Trade payables	(3,341)	(1,968)
Advance payments on work in progress	(14,565)	(11,769)
Net trade working capital	**14,563**	**8,152**
Other current assets	3,143	1,412
Tax payables	(672)	(768)
Other current liabilities	(2,617)	(1,376)
Net working capital	**14,418**	**7,419**
Tangible Assets	2,052	2,171
Right of use	1,868	1,882
Intangible assets	931	290
Investments in subsidiaries	50	50
Other non-current assets		0
Deferred tax assets	2,717	3,792
Defined benefit schemes	(878)	(656)
Provisions for risks and charges	0	(250)
Deferred tax liabilities	(1)	(14)
Net non-current assets	**6,739**	**7,266**
Net invested capital	**21,157**	**14,685**
Net debt	(2,853)	(1,268)
Equity	(18,303)	(13,417)
Total equity and net debt	**(21,157)**	**(14,685)**

The non-current assets on 31 December 2021 decreased by EUR 527 thousand compared to 31 December, due to the combined effect of: *i*) the decrease of tangible assets by EUR 118 thousand, mainly due to the recognition of the depreciation quota for the period, *ii*) the increase of intangible assets by EUR 641 thousand, mainly due to the capitalisation of development costs, *iii*) the decrease of the provisions for risks and expenses by EUR 250 thousand due to the use of the provision for losses from future orders, and *iv*) the decrease of deferred tax assets by EUR 1,075 thousand following the preparation of the supplementary tax statements for the years 2018 and 2019 following the restatement made in the 2020 financial statements, to which we refer you for additional details.

The balance of the net working capital on 31 December 2021 amounts to EUR 14,418 thousand, an increase of EUR 6,999 thousand compared to the previous financial year (EUR 7,419 thousand on 31 December 2020); the increase recorded is mainly attributable to the combined effect of:

i) the increase in trade receivables recorded during 2021 (an increase of EUR 3,109 thousand compared to 31 December 2020) that may mainly be attributed to the increase in shipments/sales in the fourth quarter of 2021 compared to Q4 2020 that is higher by EUR 2,205 thousand;

ii) the increase in items attributable to assets for works in progress on order (Assets for work in progress on order net of advance payments for work in progress on order) which, compared to the previous financial year, were higher by EUR 2,078 thousand, in consideration of the progress of the order's processing and contractually set advance payments;

iii) the increase in warehouse inventories that amount to EUR 5,549 thousand (+ EUR 2,598 thousand compared to 31 December 2020), mainly attributable to the increase in semi-finished products and raw materials to meet production needs, to the advance payments made during 2021 (EUR 769 thousand for sales concluded in 2022) and in relation to the growth of the company's turnover;

iv) the increase recorded in other current assets net of current liabilities, amounting to EUR 587 thousand, mainly attributable to the significant tax credit following the supplementary tax statements. Moreover, please note that, in 2021, among other assets, the costs relating to the listing on the stock exchange (in accordance with IAS 32), for the amount of approximately EUR 500 thousand on 31 December 2021 were suspended.

Equity on 31 December 2021 is increased mainly due to the effect of the results for the period.

Please see the paragraph below in order to better understand the changes in net debt.

Analysis of net debt and net financial position

Below please find the evolution of net debt in the period between 31 December 2020 and 31 December 2021.

in EUR thousands	31 December 2021	31 December 2020	Change 2021 vs 2020	
A. Cash	2	4	(2)	(44%)
B. Cash equivalents	1,717	5,593	(3,876)	(69%)
C. Other current financial assets	1,346	0	1,346	100%
D. Cash (A)+(B)+(C)	**3,065**	**5,597**	**(2,532)**	**(45%)**
E. Current debt (including debt obligations, but excluding the current part of the non-current debt)	(967)	(3,505)	2,538	(72%)
F. Current part of non-current debt	(367)	(376)	9	(2%)
G. Current debt (E)+(F)	**(1,334)**	**(3,881)**	**2,547**	**(66%)**
H. Net current debt (G)-(D)	**1,732**	**1,716**	**16**	**1%**
I. Non-current debt (excluding the current part and debt obligations)	(2,926)	(2,983)	58	(2%)
J. Debt obligations	(1,659)	0	(1,659)	0%
K. Trade payables and other non-current payables	0	0	0	0%
L. Non-current debt (I)+(J)+(K)	**(4,585)**	**(2,983)**	**(1,601)**	**54%**
M. Total debt (H)+(L)	**(2,853)**	**(1,268)**	**(1,586)**	**125%**

The Company's net debt amounts to EUR 2,853 thousand and EUR 1,268 thousand on 31 December 2021 and on 31 December 2020, respectively.

On 31 December 2021, net debt increased by EUR 1,586 thousand. This increase is mainly due to the combined effect of: *(i)* the decrease in "Cash" by EUR 2,532, due to the effect of the cash absorbed by operational management and investments during the financial year; *(ii)* the increase in "Non-current debts" by EUR 1,601 thousand, resulting from the stipulation of new loans during 2021 (the last tranche of the MiSE [(It.) Ministry of Economic Development] loan of EUR 254 thousand was disbursed) and the reclassification from "current" to "non-current" of the debt that refers to the Bond loan, the "Obligations/Commitments to abstain from acting" covenant of which was not complied with on 31 December 2020 (for more details, please see the following paragraph); *(iii)* the decrease in current debts by EUR 2,547 thousand that can be mainly attributed to the repayment of the current quota of long-term loans and the reclassification mentioned in the previous point.

On 21 December 2018, the Company issued an interest-bearing bond loan expiring on 21 December 2024, for the initial nominal value of EUR 5 million, subscribed by an investor qualified pursuant to art. 2483 of the (It.) Civil Code.

The company has no existing loan contracts that require compliance with financial parameters and, during 2021, the company obtained the deletion of the Covenant ("obligations and/or commitments to abstain from acting") on the regulation of the bond loan with regard to the obligation not to take on additional medium/long-term debt in any shape or form for a principal amount individually higher than EUR 400 thousand per individual year, and in total higher than EUR 2,000 thousand for the entire term thereof.

Please note that, on 31 December 2021, the Company's net debt, calculated net of the effect of the application of the standard IFRS16, amounts to EUR 851 thousand (positive for EUR 699 thousand on 31 December 2020).

Reclassified cash flow statement

Below please find the reclassified cash flow statement on 31 December 2021 compared to the previous financial year.

in EUR thousands	**31.12.2021**	**31.12.2020**
Profit before tax	**6,591**	**3,985**
Amortisation and depreciation and write-downs	1,019	939
Other non-monetary changes	1,223	337
Operating Cash Flow	**8,832**	**5,261**
Change in inventories	(2,698)	245
Change in trade receivables	(3,157)	(2,854)
Change in Assets for work in progress on order and Advance payments on assets for work in progress	(2,078)	(903)
Change in trade payables	1,373	43
Change in other assets and liabilities	(2,298)	(389)
Change in Working Capital	**(8,858)**	**(3,856)**
Net (investments) in tangible fixed assets	(459)	(671)
Rights of use (*)	(167)	(93)
Net (investments) in intangible fixed assets	(900)	(166)
Net change in other non-current liabilities	(33)	(87)
Total non-current assets/liabilities	**(1,559)**	**(1,017)**
FREE CASH FLOW	**(1,586)**	**388**
Initial net debt	**(1,268)**	**(1,656)**
Cash flow for the period	(1,585)	(388)
Final net debt	**(2,853)**	**(1,268)**

(*) Recognition of lease contracts pursuant to IFRS16, this item is not included in the Cash Flow Statement of the financial statements, as at the time of recognition of the right of use's value there are no monetary financial movements

During the financial year that ended on 31 December 2021, the operating cash flow of EUR 8,832 thousand was absorbed by the change in Working Capital. The increased absorption of cash, compared to the previous financial year, amounts to EUR 5,002 thousand, and is mainly attributable to the following factors:

i) to the increase in warehouse inventories mainly attributable to the increase in semi-finished products and raw materials to meet production needs, and to the advance payments of EUR 769 thousand made during 2021 for sales concluded in 2022, and in relation to the growth of the company's turnover;

ii) to the increase of trade receivables mainly as a result of the higher number of shipments/sales made in the fourth quarter of 2021 compared to Q4 2020, as well as in relation to the growth of the company's turnover;

iii) the increase in assets for works in progress on order (Assets for work in progress on order net of Advance payments for work in progress on order), in consideration of the progress of the orders' processing and contractually set advance payments;

iv) the increase recorded in other current assets net of current liabilities, mainly attributable to the significant tax credit following the supplementary tax statements. Moreover, please note that, in 2021, among other assets, the costs relating to the listing on the stock exchange (in accordance with IAS 32), for the amount of approximately EUR 500 thousand on 31 December 2021 were suspended.

During the financial year that ended on 31 December 2021, net investment activity and the net change in other non-current liabilities absorbed cash of a total amount of EUR 1,559 thousand, an increase compared to the previous financial year, in which net investment activities and the net change in other non-current liabilities absorbed cash for a total amount of EUR 1,017 thousand.
On 31 December 2021, therefore, the Company had absorbed cash-flow for a total of EUR 1,585 thousand, a decrease of EUR 388 thousand compared to the previous period.

Alternative Performance Measures (APM)

APMs refer to the measures used by the Company's management to analyse the company's trends and performances and that derive directly from the financial statements. although they are not envisaged by the IAS/IFRS. Please note that the APMs, as defined, may not be comparable to measures with the same name used by other companies.
Below please find the main economic indicators of the Company, referring to the financial year that ended on 31 December 2021 and the financial year that ended on 31 December 2020.

in EUR thousands, ratios and percentages	**31.12.2021**	**31.12.2020**	**Change 2021 vs 2020**	
EBIT (1)	6,695	4,038	2,657	65.8%
EBIT margin (1)	26.6%	21.1%	5.5%	
EBITDA (2)	7,762	5,010	2,752	54.9%
EBITDA margin (2)	30.9%	26.2%	4.7%	
EBITDA Adjusted (3)	7,990	6,815	1,175	17.2%
EBITDA margin Adjusted (3)	31.8%	35.6%	(3.8%)	
ROS (6)	26.6%	21.1%	5.5%	

Please note that the EBITDA adjusted for 2021 is 32% reducing than EBITDA adjusted for fiscal year 2020 (approximately 35.6%). EBITDA Adjusted for fiscal year 2021 is equal to Euro 7,990 thousand, increased about of EUR 1,175 thousand (with a percentage growth of around 17%) than the EBITDA Adjusted if fiscal year 2020 (approximately Euro 6,815 thousand). The increase in absolute value terms is mainly caused by the growth of Total Revenues, instead, the percentage decrease has to be mainly ascribed to the greater weight during 2021 than previous fiscal year, of sales of a significant quantity of components and semifinished products at cost price, according to a commercial agreement signed during fiscal year 2017 with a customer leader in the Aerospace and Defence sector Such components and semifinished products, once assembled by the customer, enable to gain, starting from fiscal year 2022 as foreseen by the above mentioned agreement, the Royalties linked to the customer's final products, as they are subject to know-how licenses by the Company.

Please find below the main economic indicators of the Company, referring to the financial year that ended on 31 December 2021 and the financial year that ended on 31 December 2020.

in EUR thousands, ratios and percentages	**31.12.2021**	**31.12.2020**	**Change 2021 vs 2020**	
ROE (4)	26.7%	43.9%		(17.3%)
ROI (5)	31.6%	27.5%		4.1%

Please note that the decrease in ROE is attributable to an increase in Equity more than proportional compared to the increase in the results for the financial year (as the company did not distribute dividends).

(1) EBIT is a measurement unit that can be used to assess the Company's ability to generate profit exclusively from operational activity, excluding the deduction of financial expenses and taxes. EBIT margin expresses EBIT as a percentage of the total revenues collected during the financial year of reference.
(2) EBITDA is a measurement unit that can be used for the assessment of the Company's operational performance; it is calculated as a profit or loss for the financial year, gross of income taxes, revenues and financial expenses, amortisation and depreciation, write-downs and write-downs of net financial assets. EBITDA margin is an indicator that measures the Company's operational profitability as a percentage of the total revenues collected during the financial year of reference and is defined as the ratio between the EBITDA and total revenues.
(3) EBITDA Adjusted is calculated as a profit or loss for the financial year, gross of income taxes, revenues and financial expenses, amortisation and depreciation, write-downs and write-downs of net financial assets, foreign currency gains or losses, the effects of non-recurring transactions and the effects of certain events and operations that the Management believes are not related to the Company's operational performance. The following elements were taken into account when calculating the Company's indicator: in the financial year that ended on 31 December 2020, the Company incurred costs for product development activities amounting to EUR 1,805 thousand; in the year that ended on 31 December 2021, this type of cost, equal to EUR 816 thousand, was included in intangible fixed assets. On 31 December 2021, the company took into account non-recurring costs of EUR 228 thousand, relating to a voluntary correction of errors. Please note that, in 2021, the Company capitalised the development costs as they met the requirement of their future use, in accordance with what is laid down in the applicable accounting standards (IAS 38). In order to make it possible to compare the economic data that also refer to previous financial years and to express the correct operational profitability, the Company used the "EBITDA Adjusted" indicator, in the context of which, it, inter alia, neutralised, for the previous financial years, the effect of development costs to which the capitalisation requirement would have applied.
(4) ROE is an indicator that measures profitability related to the Company's equity capital. It is calculated as the ratio between the profits for the financial year and the equity.
(5) ROI is an indicator that shows profitability and economic efficiency in the management of normal operations, showing the ratio of EBIT and the net capital invested (sum of the net non-current capital and the net working capital).
(6) ROS is an indicator that expresses the company's profitability in relation to the revenue flow's ability to generate income, and is expressed as the ratio of EBIT to Total Revenues.

Below please find the main alternative performance measures relating to the equity data for the financial year that ended on 31 December 2021 and for the financial year that ended on 31 December 2020.

in EUR thousands, ratios and percentages	31.12.2021	31.12.2020	Change 2021 vs 2020	
Net Debt (1)	2,853	1,268	1,586	125.1%
Net Debt / Equity	0.16	0.09	0.07	77.8%
Net Debt / EBITDA	(0.37)	(0.25)	(0.11)	45.3%
Average trade receivable collection days (2)	140	125	15	12.4%
Trade receivable turnover indicator (3)	2.6	2.9	(0.3)	(11.0%)
Average trade payable payment days (4)	99.2	76.3	22.9	30.0%
Trade payable turnover indicator (5)	3.7	4.8	(1.1)	(23.1%)
Warehouse turnover indicator (6)	1.6	2.2	(0.6)	(27.3%)
Net non-current capital (7)	6,739	7,266	(527)	(7.3%)
Net trade working capital (7)	14,563	8,152	6,412	78.7%
Net working capital - NWC (7)	14,418	7,419	6,999	94.3%
Net invested capital - NIC (7)	21,157	14,685	6,472	44.1%

Please note that the decrease in the inventory turnover indicator is attributable to the increase in warehouse stocks resulting both from the increase of semi-finished products in order to meet production needs, and from the advance payments on raw materials made during 2021 for sales concluded in 2022.

(1) As calculated in the paragraph Analysis of net debt and net financial position of this document.
(2) The average days for the collection of trade receivables indicate the average collection time of trade receivables from Company customers, expressed in days. It is calculated as the ratio of (i) the trade receivables and (ii) total revenues. This ratio is multiplied by 365 days.
(3) The trade receivable turnover indicator is an indicator that expresses the number of times trade receivables are renewed during the year. It is calculated as the ratio of (i) total revenues and (ii) the trade receivables at the end of the financial year.
(4) The average days for the payment of trade payables indicate the average payment time of trade payables to Company customers, expressed in days. It is calculated as the ratio of: (i) trade payables and (ii) costs for raw materials, ancillary materials, consumables and goods, changes in inventories and costs for trade services. This ratio is multiplied by 365 days.
(5) The trade payable turnover indicator is an indicator that expresses the number of times trade payables are renewed during the year. It is calculated as the ratio of: (i) costs for raw materials, ancillary materials, consumables and goods, changes in inventories and costs for trade services; and (ii) the trade payables at the end of the financial year.
(6) The warehouse turnover indicator is an indicator that expresses the number of times warehouse inventories are renewed during the year. The indicator is calculated as the ratio of the sum of (i) costs for raw materials, ancillary materials, consumables and goods and (ii) the change in inventories and (iii) the inventories at the end of the financial year.
(7) As calculated in the paragraph Analysis of reclassified equity data.

Investments

Investments relating to tangible fixed assets for the financial year that ended on 31 December 2021, amounting to EUR 459 thousand, mainly related to the purchase of machinery for production and instruments for expanding the production area. Such investments aimed to increase the Company’s production capacity.
Intangible fixed assets are mainly related to the development activity performed during 2021, amounting to EUR 816 thousand. Such costs have been capitalised in the item “Development costs” for the amount of Euro 24 thousand and in the item “Intangible fixed assets in progress” for the amount of EUR 792 thousand, respectively, as they relate to development projects that are ongoing as of the fiscal year closing date.

Research and development activities

During 2021, company continued the intense research and development activity. Main projects followed up by the Company are below reported:

A - New high-integration architectures
A project dedicated to the research, conception, design, and prototyping of innovative technologies for high-integration, high-modularity and intrinsic redundancy technologies for inertial navigation and the definition of the related software and hardware certification processes. The new, rapidly expanding, sector of Unmanned Aircraft Systems (UAS) with vertical take-off and landing, electric Vertical Takeoff and Landing (eVTOL), requires new avionics that are simpler and more compact for flight control, navigation and vehicle management. The avionics devices on the market (state of the art) are not suitable for meeting all UAS requirements. The activities carried out and the innovative technical solutions of this experimental development (product innovation) have made it possible to successfully define new architectures and solutions aiming to bring about a significant evolution in inertial platforms and make them increasingly more compact and integrated, also maintaining specific attention to “safety” (advantages for the entire sector of reference) and certification features.
This project is preparation for the development of new applications with the aim of obtaining new customers or of selling them to existing customers as a new product.

B - Algorithms and high-performance INS Self-calibration Instruments (submarine applications)
The project consists in the search for a technical solution for inertial navigation systems in the naval sector, in particular for installations onboard submarines, that makes it possible to overcome certain critical issues that prevented the systems from reaching high levels of performance in terms of the accuracy of the estimated geographical position for long periods of navigation without the availability of help from satellite navigation systems (GNSS/GPS).
The main critical issue is linked to the fact that the inertial navigation system, in order to improve the accuracy of the data provided, needs a long period of navigation and movement in various directions, with the help of the GNSS receiver, so as to be able to estimate the sensors' errors on different axes.
The technical solution on which this project is based makes it possible to autonomously make the rotations required to estimate position measurement errors and therefore to compensate for them in order to improve performance.
C - High-performance accelerometers with MEMS technology
Study and prototyping of a newly conceived miniaturised MEMS (Micro Electrical Mechanical System) accelerometer, with accuracies such that, in combination with the FOG-PIC Project, dedicated to technology based on Fiber Optic Gyro (FOG), they create competitive advantages and delivery solutions for more reliable, more precise and more compact navigation systems, of a lower weight and power consumption.
This project relates to a transversal technology that will replace the technology that is currently used on existing customers.

D - MIMU-M
The MIMU-M project refers to a market of inertial navigation products, such as Attitude and Heading Reference Systems (AHRS), based on MEMS technology, which, due to the sensor's nature, covers an "average" accuracy band. With this project the company intends to elevate MEMS technology to a significantly higher accuracy, reliability and performance level with a series of innovative and original technological solutions that especially pertain to the MEMS sensor and its correlation in AHRS.
This project relates to the development of new applications with the aim of obtaining new customers or of selling them to existing customers as a new product.

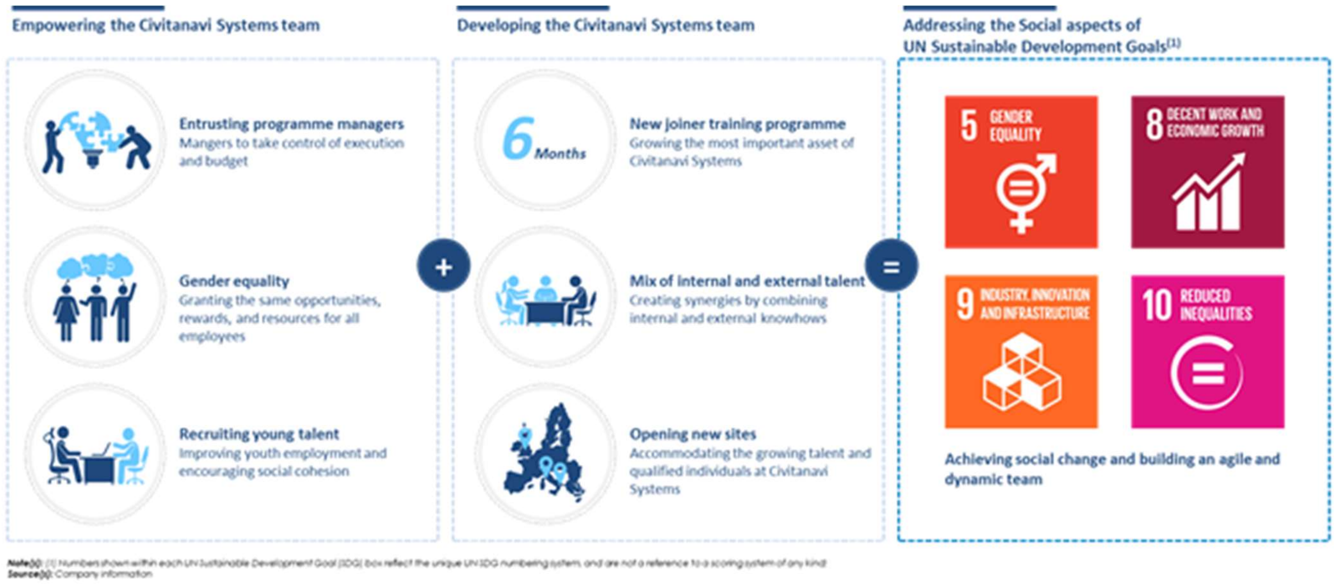
E - TIGHTLY COUPLED
The project concerns the production of an innovative architecture for the close integration of the GNSS with an inertial navigation system, with the use of lower-level complex data received by the GNSS receivers and the development of a simulation environment to check the operation of such advanced systems in all possible operation scenarios.
This project relates to the development of new applications with the aim of obtaining new customers or of selling them to existing customers as a new product.

F - FOG-PIC
The project concerns the experimental development of a subassembly, known as "FOG-PIC" (Fiber Optic Gyroscope Photonic Integrated Circuit), and consists in the technological development, design, prototyping, and testing of an innovative photonic device to be used as a strategic component inside a triad of gyroscopic sensors, for avionics applications in advanced aerospace sectors. Such devices are used in Inertial Measurement Units (IMU) and Inertial Navigation Systems (INS), for stabilisation and inertial navigation. The project led to the registration of a patent (still undergoing verification by the competent authorities) and envisages two generations of devices based on completely different technologies, specifically:
- the first-generation FOG-PIC device that envisages the integration of critical optical components on a traditional optic sublayer and has been partly financed by (It.) Law of 24 December 1985, no. 808, with funds of the MiSE [(It.) Ministry of Economic Development] for industry in the aerospace, defence and security sector.
- the second-generation FOG-PIC device that envisages the integration of critical optical components on an exotic optic sublayer and has been co-financed by the funds deriving from the General Defence Secretariat in the context of the National Military Research Plan (PNRM).
This project relates to a transversal technology that will replace the technology that is currently used on existing customers.

G - Evolution of #1 and #2 mining products
The project aims to innovate and improve the technologies and solutions available for the instruments sector in support of mining and oil-drilling exploration. The goal is to meet the customers' needs to offer systems with increasingly higher reliability and repeatability levels and that are perfectly suited to the customers' operational requirements.
One of the objectives is to create a new family of inertial products that are easier to use, which may be powered by batteries and no longer through power supply cables, with obvious portability and usability advantages on the market, thanks to the fact that they are lighter and more reliable, and because they lower management costs.

Social, political and labor environment

Business Team is framed into Metal-mechanic employees' national agreement and the Company strongly promotes own employees with bonuses, salaries increases and other incentives. The low personnel turnover and the capacity to engage talented resources from all over the world is the proof that such politic is effectiveness and must continue in the future.



Main risks and uncertainties

The Company's activity is exposed to a series of financial risks that can influence its financial situation, the economic result and the cash flows through the related impact on financial instrument transactions carried out. Below please find the main information relating to the policies for managing the Company's financial risks.

<u>Credit risk</u>

Given that it operates in both national and international markets, the Company is exposed to the risk that its customers may delay the fulfilment of or not fulfil their obligations to pay within the timeframes and by the means agreed and that the internal procedures adopted to assess the customers' creditworthiness and solvency are not sufficient to guarantee the collection of the amounts due. The provision for write-downs of receivables reflects the expected losses, calculated throughout the life of such assets. The estimate of the expected losses is based on a twin approach that envisages the individual analysis of each more material customer and a collective analysis that puts customers with similar characteristics in groups. The positions which are found to be fully or partially ineligible are subject to individual write-down. In such case, the amount of the write-down takes into account an estimate of the recoverable flows depending on the delay of the payments. Conversely, all other positions are subject to collective measurement with the use of a provisions matrix based on the seniority of receivables and on the experience of actual losses sustained. The historical information used in the definition of the provision matrix is suitable for reflecting current and prospective information on macroeconomic factors that influence the customers' ability to settle their debts.
The value of receivables due to expire, gross of the provision for write-downs of receivables, for the financial year that ended on 31 December 2021 and for the financial year that ended on 31 December 2020 amounts to EUR 5,521 thousand and EUR 2,273 thousand, respectively. Receivables past due, gross of the provision for write-downs of receivables, for the financial year that ended on 31 December 2021 and for the financial year that ended on 31 December 2020 amount to EUR 4,251 thousand (44% of the total amount of gross trade receivables) and to EUR 4,341 thousand (66% of the total amount of gross trade receivables).
Of these receivables past due, the part that refers to positions past due for over 90 days, for the financial year that ended on 31 December 2021 and for the financial year that ended on 31 December 2020, amounts to EUR 620 thousand and EUR 724 thousand, respectively. Between 31 December 2021 and 31 December 2020, positions past due for over 90 days decreased by EUR 104 thousand (13%).
The amount of receivables past due over 90 days net of the Provision for write-downs of receivables amounts to EUR 484 thousand and refers, for EUR 128 thousand, to the VAT receivable relating to a trade receivable recognised as a loss in the previous financial years; the remaining part is attributable to receivables from customers of consolidated reliability who were granted an additional payment extension with a view to commercial growth.
Moreover, please note that the total trade receivables, increased in the fourth quarter of 2021 due to the significant increase in shipments, decreased by approximately EUR 2,000 thousand in the first months of 2022, a symptom of a return to normal operation trends.

<u>Liquidity risk</u>

The Company's liquidity situations depends, on one hand, on the funds generated by or used in operating and investing activities and, on the other hand, on the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions. Cash flows, financing needs, and the Company's liquidity are closely monitored and managed by:

- maintaining an adequate level of available liquidity;
- diversifying the instruments for locating financial resources;
- obtaining adequate credit lines;
- monitoring future liquidity conditions, in relation to the corporate planning process.

Interest rate risk

The interest rate risk consists in the risk that the value of a financial instrument, and/or the level of cash flows generated thereby, will vary as a result of market interest rate fluctuations. On 31 December 2021, the total debt exposure at variable rate amounts to EUR 2,484 thousand (63% of the total debt exposure relating to medium/long-term financial liabilities, including the current quota), mainly linked to the variations in the 3-month EURIBOR, while the total debt exposure at fixed rate amounts to EUR 1,433 thousand (37% of the total debt exposure). Exposure to interest rate risk derives from the need to finance operating activities, in both their industrial component and the financial component of obtaining such activities, and from the need to use available liquidity. The variation in the market interest rates may have a negative or positive impact on the Company's economic result, having an indirect effect on the costs and yields of financing and investment operations. The Company regularly measures its exposure to interest rate risk and manages such risks with the use of financial derivative instruments. The use of financial derivative instruments is reserved for the management of exposure to the fluctuations of the interest rates relating to monetary flows and speculative activities are neither put in place nor allowed. The only instrument used for this purpose is the Interest Rate Swap (IRS). The debt exposure at variable rate on 31 December 2021, amounting to EUR 2,500 thousand (notional value), is thus fully hedged by IRS.

Below please find details relating to the hedging derivative instruments subscribed:

31 December 2021

In EUR thousands	**Contractual notional**	**Notional on 31 December 2021**	**Variable Rate**	**Fixed rate**	**Expiry**	**Fair value**
UNICREDIT IRS PROTETTO PAYER	(5,000)	(2,500)	Euribor 3M	2%	20/12/2024	(26)
Total	**(5,000)**	**(2,500)**				**(26)**

Risks related to the availability and the costs of the materials and components necessary for the development of the activity

If there were difficulties in finding the raw materials of the components and semi-finished products or they were not available, the company would be subject to the risk to delay or stop the production process with a consequent extension in delivery deadlines agreed with customers.

The unavailability, even if momentary, of raw materials, components and semi-finished products necessary for the production cycle or any unpredictable or not manageable prices increases could significantly compromise the Company's ability to respond to market demand for own products.

In addition, the price of raw materials, components and semi-finished products, necessary for the realization of the Company's products, and more specifically electronic components and raw materials for mechanical processing, is subject to the risk of fluctuations, even important, which depend essentially on external factors and not on the Company.

On this point the Company carries out periodic reviews of the requirements on the basis of the expected production volumes in order to ensure the availability of the materials necessary to maintain its production capacity. Excepting for some challenges and difficulties in the procurement of electronic materials, which the Company overcome by an accurate planning of its demands so far, no particular events occurred to compromise the proper inventory level in order to support the production activity.

Relationships with subsidiaries, associated and parent companies, and sister companies

For the relationships with subsidiaries, associated and parent companies, and sister companies, please see the analytical information in the comments to these financial statements, and as required by art. 2497-bis of the (It.) Civil Code.
For more details, please see the paragraph “Operations with related parties” of the Notes to the Financial Statements.

Signed by
Andrea Pizzarulli
Chairman of the Board of Directors and CEO

Financial Statements

Statement of financial situation

(in EUR)	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Intangible assets	6.1	930,893	289,798
Right-of-use assets	6.2	1,867,827	1,882,498
Tangible assets	6.3	2,052,479	2,170,874
Investments in subsidiaries and other financial assets	6.4	50,001	50,282
Deferred tax assets	6.5	2,716,866	3,791,685
Total non-current assets		**7,618,066**	**8,185,136**
Current assets			
Inventories	6.6	5,548,519	2,950,863
Trade receivables	6.7	9,635,848	6,527,072
Assets for work in progress on order	6.8	17,284,535	12,410,848
Other receivables and current assets	6.9	3,143,435	1,411,740
Current financial assets	6.10	1,346,041	0
Cash	6.11	1,719,184	5,596,905
Total current assets		**38,677,561**	**28,897,428**
TOTAL ASSETS		**46,295,627**	**37,082,564**

(in EUR)	Notes	31 December 2021	31 December 2020
Share capital		500,000	500,000
Reserves		12,924,792	7,025,703
Net profit		4,878,619	5,891,315
Total Net Equity	6.12	**18,303,411**	**13,417,018**
Non-current liabilities			
Non-current financial liabilities	6.13	2,724,701	1,155,350
Non-current lease liabilities	6.2	1,860,075	1,828,137
Deferred tax liabilities	6.5	1,154	13,577
Defined benefit schemes	6.14	878,173	655,934
Provisions for risks and charges	6.15	0	249,926
Total non-current liabilities		**5,464,103**	**3,902,925**
Current liabilities			
Current financial liabilities	6.13	1,191,659	3,742,501
Current *lease* liabilities	6.2	142,002	138,572
Trade payables	6.16	3,340,891	1,967,692
Advance payments on assets for work in progress	6.8	14,564,765	11,769,412
Tax payables	6.17	672,248	768,273
Other current payables and liabilities	6.18	2,616,548	1,376,172
Total current liabilities		**22,528,113**	**19,762,621**
TOTAL LIABILITIES AND NET EQUITY		**46,295,627**	**37,082,564**

Income statement

(in EUR)	Notes	31 December 2021	31 December 2020
Operating revenues	7.1	24,997,804	18,288,036
Other revenues and income	7.2	144,085	847,403
Total Revenues		**25,141,890**	**19,135,439**
Raw material costs and change in inventories	7.3	8,669,186	6,549,214
Personnel costs	7.4	4,672,884	4,254,554
Services costs	7.5	3,626,831	2,866,879
Other operating costs	7.6	410,705	454,746
Write-downs of net financial assets	7.7	48,994	33,070
Amortisation and depreciation and write-downs	7.8	1,018,522	939,469
Operating profit		**6,694,767**	**4,037,507**
Financial income	7.9	99,714	140,597
Financial expenses	7.9	(203,978)	(192,838)
Profit before tax		**6,590,503**	**3,985,266**
Income taxes	7.10	(1,711,884)	1,906,049
Net profit		**4,878,619**	**5,891,315**
Basic earnings per share	7.11	**9.76**	**11.78**
Diluted earnings per share	7.11	**9.76**	**11.78**

Statement of comprehensive income

(in EUR)	Notes	31 December 2021	31 December 2020
Net profit		**4,878,619**	**5,891,315**
Other comprehensive gains/(losses) that will subsequently be reclassified in the profit/(loss) for the year:		0	0
Profit/(loss) on the effective portion of cash flow hedge instruments	6.13 6.12	25,963	3,171
Total other components of the comprehensive income statement		**25,963**	**3,171**
Other components of the comprehensive income statement that will not be reclassified in the income statement of subsequent financial years		0	0
Actuarial profits (losses) for defined benefit schemes	6.12 6.14	(18,189)	(36,339)
Total other components of the comprehensive income statement		**(18,189)**	**(36,339)**
Comprehensive net profit		**4,886,393**	**5,858,148**

Statement of changes in equity

(in EUR)	*Notes*	Share capital	Reserves								Total net equity
			Legal reserve	*Extraordinary reserve*	*Cash flow hedge instruments reserve*	*EU-IFRS first-time adoption reserve*	*Actuarial profit and loss reserve*	*Other reserves*	*Retained earnings (losses)*	Net profit	
1 January 2020	6.12	**500,000**	**100,000**	**6,735,007**	**(48,826)**	**(32,454)**	**(37,033)**	**357**	**(3,487,305)**	**3,813,707**	**7,543,452**
Net profit		0	0	0	0	0	0	0	0	5,891,315	5,891,315
Total other components of the comprehensive income statement		0	0	0	3,171	0	(36,339)	0	0	0	(33,168)
Comprehensive net profit		*0*	*0*	*0*	*3,171*	*0*	*(36,339)*	*0*	*0*	*5,891,315*	**5,858,147**
Allocation of the net profit of the previous year		0	0	2,386,995	0	0	0	2,244	1,424,468	(3,813,707)	0
Other movements		0	0	0	0	0	0	0	15,418	0	15,418
Dividends distributed		0	0	0	0	0	0	0	0	0	0
31 December 2020	6.12	**500,000**	**100,000**	**9,122,002**	**(45,655)**	**(32,454)**	**(73,372)**	**2,600**	**(2,047,419)**	**5,891,315**	**13,417,018**

1 January 2021	6.12	**500,000**	**100,000**	**9,122,002**	**(45,655)**	**(32,454)**	**(73,372)**	**2,600**	**(2,047,419)**	**5,891,315**	**13,417,018**
Net profit		0	0	0	0	0	0	0	0	4,878,619	4,878,619
Total other components of the comprehensive income statement		0	0	0	25,963	0	(18,189)	0	0	0	7,773
Comprehensive net profit		*0*	*0*	*0*	*25,963*	*0*	*(18,189)*	*0*	*0*	4,878,619	**4,886,392**
Allocation of the net profit of the previous year		0	0	1,332,613	0	0	0	(2,600)	4,561,302	(5,891,315)	0
Other movements		0	0	0	0	0	0	0		0	0
Dividends distributed		0	0	0	0	0	0	0	0	0	0
31 December 2021	6.12	**500,000**	**100,000**	**10,454,616**	**(19,692)**	**(32,454)**	**(91,561)**	**0**	**2,513,883**	**4,878,619**	**18,303,411**

Cash Flow Statement

in EUR thousands	Notes	31 December 2021	31 December 2020
Net Profit		**4,878,619**	**5,891,315**
- Adjustments for:			
Income Tax	7.10	1,711,884	(1,906,049)
Amortisation/depreciation	7.7. - 7.8	1,018,522	939,469
Capital losses / (capital gains) for disposal	7.2 - 7.6	(150)	4,548
Financial expenses / (income)	7.9	104,265	52,241
Other non-monetary changes		1,118,711	279,955
Cash flow generated / (absorbed) by operating activities before changes in the net working capital		**8,831,851**	**5,261,479**
Change in inventories	6.6	(2,697,656)	245,407
Change in trade receivables	6.7	(3,157,490)	(2,854,051)
Change in Assets for work in progress on order and Advance payments on work in progress	6.8	(2,078,333)	(902,642)
Change in trade payables	6.15	1,373,199	43,473
Change in other assets and liabilities	6.9 - 6.17	(1,024,474)	246,867
Cash flow generated / (absorbed) by operating activity		**1,247,097**	**2,040,533**
Change in provisions for risks and Defined benefit schemes	6.13 - 6.14	(262,605)	(80,573)
Tax paid	7.10	(1,010,694)	(554,797)
Net cash flow generated / (absorbed) by operating activity (A)		**(26,202)**	**1,405,163**
Investments/Disposals in fixed assets	6.3	(459,418)	(671,495)
Investments/Disposals in intangible assets	6.1	(899,997)	(165,719)
Net cash flow generated / (absorbed) by investment activity (B)		**(1,359,415)**	**(837,215)**
New loans	6.12	254,362	777,720
Loans repayment	6.12	(1,226,291)	(1,260,604)
Repayment of lease liabilities	6.2	(141,330)	(123,243)
Financial expenses paid	7.9	(104,965)	(113,676)
Financial income collected	7.9	72,162	27,073
Financial assets	6.10	(1,346,041)	0
Net cash flow generated/(absorbed) by financial activity (C)		**(2,492,104)**	**(1,470,450)**
Total change in cash and cash equivalents (A)+(B)+(C)		**(3,877,721)**	**(902,502)**
Cash and cash equivalent at the beginning of the year		**5,596,905**	**5,691,922**
Total change in cash and cash equivalents		(3,877,721)	(902,502)
Cash and cash equivalents at the end of the year		**1,719,184**	**4,789,420**

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2021

1. General information

1.1 Foreword

Civitanavi Systems S.p.A. (hereinafter "**Civitanavi**" or the "**Company**") is a company incorporated and domiciled in Italy, with registered office in Pedaso (FM), Via del Progresso no. 5, organised in accordance with the legal system of the Italian Republic.
Civitanavi is controlled by the company Civitanavi Systems Ltd, which directly owns 72.58% of the share capital, while the remaining quota is owned by floating shareholders.

The company is not subject to management and coordination by CIVITANAVI SYSTEMS LTD and, by virtue of a decision dated 13/10/2021, the Civitanavi Board of Directors declared that there is no coordination activity, pursuant to art. 2497 et seq. of the (It.) Civil Code, by Civitanavi Systems Ltd; in particular it noted that Civitanavi Systems Ltd *(i)* does not exercise any active influence on the life of the Company, which results in complete autonomy of action by the directors of the latter; *(ii)* does not prepare strategic, industrial, financial, commercial and budgetary plans for the Company; *(iii)* does not define or influence the Company's commercial or market strategies *(iv)* does not exercise effective decision-making powers over the Company *(v)* limits the relationship with the Company to the simple exercise of the administrative and capital rights deriving from the status of shareholder.

Please note that the Swiss Company is not part of a group and, during 2021, there was a single transaction between Civitanavi Systems S.p.A. and Civitanavi Systems Ltd in relation to the sale of the trademark; please see paragraph 6.1 for more details. In addiction the Company does not own shares of Civitanavi Systems Ltd, also through trust companies or interposed person.

The company operates in the design, development and production of inertial navigation and stabilisation systems used in the industrial (mining, oil & gas) and aerospace and defence (naval, land, aeronautics, and space) segments. The Company is a vertically integrated supplier of highly accurate systems, designed and manufactured with proprietary methods and techniques, based on FOG (Fiber Optic Gyroscope) and MEMS (Micro Electro Mechanical Systems) technology, possibly also integrated with other satellite navigation devices (GPS, air speed data, odometers, etc.). The inertial navigation and stabilisation systems produced by the Company, thanks to the application of the aforementioned FOG and MEMS technologies, enable *(i)* autonomous and high-precision inertial navigation (without a GPS), *(ii)* stabilisation, *(iii)* precise orientation (direction with reference to the geographical north) of the mobile device on which they are applied. The company carries out its activity at the registered office and production site of Pedaso (FM) and at two additional sites, in Ardea (RM) and in Casoria (NA). The Pedaso (FM) site hosts the administrative structure, the sales structure, the main research and development centre, as well as the prototyping and industrial production plants. In 2020, Civitanavi incorporated a company in London, mainly dedicated to sales activities; it is not yet operational in 2021.

The Financial Statements as at 31 December 2021 has been drawn up in compliance with EU-IFRS. The Statements submitted for Your approval closes with a total profit of EUR 4,879 thousand, once accounted taxes for EUR 1,712 thousand and amortization and depreciation totaling EUR 1,019 thousand. The Directors' Report on Operations has the aim to provide information about the situation of the Company and overall business performances and in the different divisions it is operating, also through subsidiaries, and it is drawn up in accordance with Art. 2428 of the Italian Civil Code.

The Financial Statements have been arranged in XTHML format in compliance with the dispositions of Delegated Regulation (EU) 5019/815 of the European Commission about technical rules relating to the specification of the single electronic communication format (ESEF – European Single Electronic Format - "Delegated Regulation").

2. Summary of the accounting standards adopted

2.1 Preparation basis

These financial statements for the financial year that ended on 31 December 2021 (hereinafter the "**Financial Statements of 31 December 2021**") were drafted by the Company in accordance with the International Accounting Standards (hereinafter also "**EU-IFRS**").

Please note that the Company does not draw up the consolidated financial statement as the Civitanavi UK subsidiary is not relevant for truthful and correct representation of the patrimonial, financial and economic situation of the Group in compliance with legislative decree 127/1991 and following amendments.

Below please find the main accounting criteria and standards applied in the preparation of the Financial Statements of 31 December 2021.

2.2 Declaration of conformity with the international accounting standards

The Financial Statements of 31 December 2021 were drafted in compliance with the International Accounting Standards approved by the European Commission and in force at such date. The term "EU-IFRS" means all the "*International Financial Reporting Standards*", all the "*International Accounting Standards*" (IAS) and all interpretations of the "*International Financial Reporting Interpretations Committee*" (IFRIC), previously known as "*Standing Interpretations Committee*" (SIC).
The financial statements were drafted based on the going concern principle. In fact, the directors assessed that, although the company operates in a general economic and financial context characterised by the effects of the Covid-19 pandemic, there are no significant uncertainties regarding business continuity.

2.3 General drafting principles

The Financial Statements of 31 December 2021 consist of the mandatory accounting statements envisaged by the standard IAS 1, i.e. of the statement of financial situation, of the income statement, of the comprehensive income statement, of the table of changes in equity, and of the cash flow statement, as well as of the notes to the financial statements, and are accompanied by the report of the Board of Directors on business performance.

The Company has opted to structure the income statement by nature of expenditure, while the assets and liabilities of the statement of financial situation are divided between current and non-current. The cash flow statement is drafted using the indirect method. The charts used are those that best represent the Company's economic and financial situation.

An asset is classified as current when:

- it is assumed that such asset will be realised, or if it is held for sale or consumption, during the normal performance of the operating cycle;
- it is held mainly with the purpose of being traded;
- it is assumed that it will be realised within twelve months from the end date of the financial year;
- it consists of cash or cash equivalents (unless its exchange or use to settle a liability is not allowed for at least twelve months from the end date of the financial year).

All other assets are classified as non-current. In particular, the standard IAS 1 includes tangible assets, intangible assets and long-term financial assets in non-current assets.

A liability is classified as current when:

- it is foreseen that it will be settled during the normal operating cycle;
- it is held mainly with the purpose of being traded;
- it will be extinguished within twelve months from the end date of the financial year;
- there is no unconditional right to defer its settlement for at least twelve months from the end date of the financial year. The clauses of a liability that may, at the discretion of the counterparty, lead to its settlement with the issue of equity instruments do not impact on its classification.

All other liabilities are classified by the undertaking as non-current.

The operating cycle is the time that elapses between the purchase of goods for the production process and their realisation in cash or cash equivalents. Where the normal operating cycle is not clearly identifiable, it is assumed that it has a duration of twelve months.

The Financial Statements of 31 December 2021 were drafted in Euros, the Company's operating currency. The financial, equity, economic situations, the comment information notes and the tables are expressed in Euros, unless otherwise indicated.

The Financial Statements of 31 December 2021 were prepared:

- based on the best knowledge of the EU-IFRS and taking into account the best legal and accounting theory on the matter; any future guidelines and updates in interpretation will be reflected in subsequent financial years, by the

means envisaged by the accounting standards of reference at any given time;
- on a going concern basis, in accordance with the principle of accrual accounting, in compliance with the principle of the relevance and materiality of the information, of prevalence of substance over form, and with a view to promoting consistency with future presentations. The assets and liabilities, the costs and revenues are not mutually offset, unless this is allowed or required by the International Accounting Standards;
- on the basis of the conventional historical cost criterion, except for the measurement of financial assets and liabilities in cases where the application of the fair value criterion is mandatory, and for the financial statements of companies that operate in economies subject to hyperinflation, drafted on the basis of the current costs criterion.

2.4 Accounting standards and measurement criteria

Below please find a description of the criteria adopted with reference to the classification, recognition, measurement, and deletion of the various assets and liabilities items, as well as the criteria for the recognition of income components.

Intangible assets

An intangible asset is an asset which meets the following conditions simultaneously:
- it is identifiable;
- it is non-monetary;
- it is without physical substance;
- it is controlled by the undertaking that drafts the financial statements;
- it is expected to produce future economic benefits for the undertaking.

If an asset does not meet the aforementioned requirements to be defined as an intangible asset, the expenses incurred to purchase the asset or to generate it internally are accounted as a cost for the amount in which they were incurred.

Intangible assets are initially recognised at cost. The cost of intangible assets purchased from the outside includes the purchase price and any directly attributable costs.

The goodwill generated internally is not recognised as an asset; the same applies to intangible assets deriving from research (or the research stage of an internal project).

An intangible asset deriving from the development or the development stage of an internal project is recognised if it is proven to meet the following conditions:
- the technical feasibility of completing the intangible asset so that it is available for use or for sale;
- the intention to complete the intangible asset to use or sell it;
- the ability to use or sell the intangible asset;
- the way in which the intangible asset is able to generate the future economic benefits and, in particular, the existence of a market for the product of the intangible asset or for the intangible asset itself, or, if it must be used for internal purposes, its utility;
- the availability of technical, financial or other resources that are sufficient to complete the development and for the use or sale of the asset;
- the ability to reliably measure the cost attributable to the intangible asset during its development.

Intangible assets are measured with the use of the cost method in accordance with one of the two different criteria envisaged by IAS 38 (cost model or revaluation model). The cost model envisages that after initial recognition intangible assets should be carried at cost less accumulated amortisation and any accumulated impairment losses.

Below please find the useful life estimated by the Company for the various categories of intangible assets:

Intangible asset category	Amortisation rate
Computer software use licences	33.33%
Trademark	5.56%
Development costs	20%

The following main intangible assets can be identified in the context of the Company:

(a) Intangible assets with a finite life

Intangible assets with a finite life are recognised at cost, as described above, net of accumulated amortisation and any impairments.

The amortisation starts at the time the asset is available for use and is spread systematically in relation to the residual possibility that such asset will be used, i.e. based on the estimated useful life; the criteria indicated in the paragraphs "*Tangible assets*" and "*Impairment of tangible and intangible assets and of right-of-use assets*", respectively, apply to the value to be amortised and the recoverability of the recorded value.

(b) Internally generated intangible assets - research and development costs

Research costs are included in the income statement in the period in which they were incurred.
Internally generated intangible assets deriving from the technological development of the company's products are recorded in the assets, only if the following conditions are met:

- the asset is identifiable;
- it is probable that the asset created will generate future economic benefits;
- the asset's development costs can be reliably measured.

Capitalised development costs include just the expenses incurred that can be directly attributed to the development process and mainly refer to the hours used by highly specialised internal personnel.
Such intangible assets with a finite life are amortised on a linear basis during the related useful lives of the product, generally equal to five years.
It is deemed that five years is the average period beyond which the product may require an update of the software, of the electronic components of reference, or of the technology.
Any impairments, as well as any reversals are calculated using the same methods reported below in the section relating to the "Impairment of tangible and intangible assets and of right-of-use assets".

When internally generated assets cannot be recorded in the financial statements, the development costs are included in the income statement for the financial year in which they were incurred.

Right-of-use and lease assets and liabilities

In accordance with IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for a fee. The contract is assessed anew to ascertain whether it is, or contains, a lease only if the contract's terms and conditions are amended.

In the case of contracts that are, or contain, a lease, each lease component is separated from the non-lease components, unless the Company applies the practical expedient laid down in paragraph 15 of IFRS 16. Such practical expedient makes it possible for the lessee to choose, for each underlying asset class, not to separate the non-lease components from the lease components and to account for each lease component and the associated non-lease components as a single lease component.

The term of the lease is defined as the lease period that may not be cancelled, to which both following periods are added:

- periods covered by an extension option if exercise of that option by the lessee is reasonably certain; and
- periods covered by a termination option if the lessee is reasonably certain not to exercise that option.

The assessment of whether the lessee is reasonably certain to exercise the option to extend the lease or not to exercise the option to terminate the lease takes into account all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease or not to exercise the option to terminate the lease. In case of change in the non-cancellable period of the lease, the lessee must once more define the term of the lease.
The Company recognises the right-of-use asset and the related lease liability on the commencement date.
On the commencement date, the right-of-use asset is measured at cost. The cost of the right-of-use asset includes:

a) the amount of the initial measurement of the lease liability;
b) the payments due for the lease made on or before the commencement date net of lease incentives received;
c) the initial direct costs incurred by the lessee; and
d) the estimate of the costs that the lessee will have to incur for the decommissioning and removal of the underlying asset and for the restoration of the site where it is located or for the return of the underlying asset to the conditions envisaged by the lease's terms and conditions, unless such costs are incurred for the production of the inventories. The lessee takes on the obligation that relates to the aforementioned costs on the commencement date or as a consequence of the use of the underlying asset for a specific period.

On the commencement date, the lessee must measure the lease liability at the current value of the payments due for the lease that have not been made as of such date. The payments due for the lease include the following amounts:

a) the fixed payments, net of any lease incentives to be received;
b) the variable payments due for the lease that depend from an indicator or a rate, initially measured using an indicator or a rate on the commencement date;
c) the amounts that it is foreseen that the lessee must pay as residual value guarantees;
d) the price of the exercise of the purchase option, if the lessee is reasonably certain to exercise the option; and
e) the penalties for the termination of the lease, if the term of the lease takes into account the exercise by the lessee of the option to terminate the lease.

The payments due for the lease must be updated using the implicit interest rate of the lease, if it is easy to determine. If that is not possible, the lessee must use its incremental borrowing rate of interest, i.e. the incremental interest rate that the company should pay to obtain a loan of the same term and amount as the lease contract.

Subsequently to the initial recognition, the right-of-use asset is measured at cost:

a) net of accumulated amortisation and accumulated impairments; and
b) adjusted to take into account any re-measurements of the lease liability.

Subsequently to the initial recognition, the lease liability is measured:

a) by increasing the carrying amount to take into account the interest on the lease liability;
b) by decreasing the carrying amount to take into account the payments due for the lease that have been made; and
c) by remeasuring the carrying amount to take into account any new measurements or amendments of the lease or the review of the payments due for the lease fixed in the substance.

In case of amendments to the lease that do not constitute a separate lease, the right-to-use asset is remeasured (upwards or downwards), consistently with the change in the lease liability on the date of the amendment. The lease liability is remeasured based on the new conditions envisaged by the lease contract, using the discount rate on the date of the amendment.

Please note that the Company makes use of the exemption envisaged by IFRS 16, with reference to leases of assets of a modest value (i.e. when the value of the underlying asset, if new, is lower than, for example, USD 5.000). In such cases, the right-of-use asset and the related lease liability are not recognised and the payments due for the lease are recognised in the income statement.

The Company has decided not to take advantage of the exemption envisaged by IFRS 16 in relation to short-term leases (i.e. lease contracts with a term of or lower than 12 months from the commencement date).

Lessors must classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. In the case of finance leases, on the commencement date the lessor must recognise in the statement of financial situation the assets held under a finance lease and record them as a receivable of a value equal to the lease's net investment. In the case of operating leases, the lessor must recognise the payments due as income on a straight-line basis or on another systematic basis. The lessor must also recognise the costs, including amortisation, incurred to realise the lease income.

Tangible assets

Buildings, plant and equipment are accounted for among tangible assets only when all of the following conditions are met:

- it is probable that the undertaking will reap the future economic benefits attributable to the good;
- the cost may be reliably determined.

Tangible assets are initially measured at cost, defined as the monetary amount or equivalent paid or the fair value of other considerations paid to purchase an asset, at the time of purchase or replacement. Subsequently to the initial recognition, tangible assets are measured with the cost method, net of recognised depreciation quotas and of any accumulated impairment.

The cost includes the expenses directly incurred to make it possibly to use the assets, as well as any decommissioning and removal expenses that will be incurred as a consequence of contractual obligations that require that the asset be returned to its initial condition.

The expenses incurred for ordinary and/or cyclical maintenance and repairs are directly included in the income statement when they are incurred. Costs pertaining to the expansion, modernisation or improvement of structural elements owned or used by third parties are capitalised within the limits to which they meet the criteria for being classified separately as assets or parts of an asset.

The depreciation criterion used for tangible assets is the straight-line method throughout their useful life.

Below please find the useful life estimated by the Company for the various categories of tangible assets:

Tangible asset category	Amortisation rate
Electronic office machines	20%
Furnishings	15%
Air conditioning system	15%
Alarm system	30%
Electrical system	10%
Industrial and sundry and minor equipment	15%
Machinery	15%
Telephone system	20%
Other assets	15%

At the end of every financial year, the company checks whether there were significant changes in the expected characteristics of the economic benefits deriving from the capitalised assets and, if that is the case, amends the depreciation criterion, which is considered as a change in estimate in accordance with the provisions of the standard IAS 8.

The value of the tangible asset is fully written off when it is disposed of or when the undertaking expects that it cannot derive any economic benefit from its sale.
Capital grants are recognised when there is a reasonable certainty that they will be collected and that all of the conditions required for collection have been met. Capital grants are then booked as deferred income when collected and recognised as income on a pro-rata basis over the useful lives of the respective assets.

Impairment of tangible and intangible assets and right-of-use assets

At each financial statements reference date, the company performs a check that aims to ascertain whether there are indicators that the tangible, intangible and right-of-use assets may have been impaired. Both internal and external information sources are taken into account for this purpose. In relation to the former (internal sources), the company takes into account: the obsolescence or physical deterioration of the asset, any significant changes in the asset's use, and the performance of the asset compared to what is foreseen. With regard to external sources, the company takes into account: the market price trends of the asset, any technological, market or regulatory advances, the market interest rate trends or the trend of the cost of capital used to measure the investments.

If the presence of such indicators is identified, the recoverable value of such assets is estimated, including any write-downs compared to the related book value in the comprehensive income statement. The recoverable value of an asset is the higher of the fair value, net of ancillary sale costs, and the costs of sale, and the related use value, determined by discounting the future cash flows estimated for such asset, including, if they are significant and reasonably determinable, those deriving from the sale at the end of the related useful life, net of any disposal expenses. In determining the use value, expected future cash flows are discounted using a discount rate gross of tax that reflects the current market measurements of the cost of money, in relation to the investment period and the specific risks of the business. In the case of assets that do not produce broadly independent cash flows, the recoverable value is determined in relation to the cash generating unit to which the assets belong.

Value impairments are recognised to the comprehensive income statement, if the carrying amount of the asset – or of the relevant CGU to which the asset belongs – is higher than its recoverable value. Impairment losses of CGUs are first taken as a reduction in the carrying amount of any allocated goodwill and then as a reduction in the other assets proportionally to their carrying amount and within the limits of the related recoverable value. If the basis for previously-applied impairment should cease to exist, the carrying amount of the asset is restored and allocated to the income statement, up to the limits of the net book value that the asset in question would have had if no impairment had been applied but amortisation/depreciation had been regular.

Investments in subsidiaries

Investments in subsidiaries are measured at cost, net of any impairments. Investments in subsidiaries are impaired when their carrying amount exceeds their recoverable value. The carrying amounts of investments in subsidiaries are subject to measurement every time there are obvious indicators, inside or outside of the undertaking, of the possibility that the value of the investment may be impaired.

In particular, the following indicators are analysed to assess whether an investment in a subsidiary has been impaired:

- the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee's net assets, including associated goodwill;
- the dividend exceeds the total comprehensive income of the subsidiary on the date of acquisition or incorporation;
- the operating result of the subsidiary is significantly lower than the amount envisaged by the management plant, in case such indicator may be deemed to be significant for the company of reference;
- there are expectations of significantly lower operating results in future years;
- the existence of changes in the technological, market, economic or regulatory context in which the subsidiary operates that may generate significant negative economic effects on the Company's results.

The impairment test consists in comparing the carrying amount and the recoverable value of the investment in the subsidiary. If the recoverable value of an investment in a subsidiary is lower than the carrying amount, the later is reduced to the recoverable value. Such reduction constitutes an impairment accounted for in the income statement.
The recoverable value of an investment in a subsidiary is identified as the higher of the fair value and the use value. The use value of an investment in a subsidiary is the current value of the future cash flows that are foreseen to originate from an investment in a subsidiary that generates cash flows. The use value reflects the effects of factors that may be specific to the entity, factors that may not be applicable to any and all entities. If the basis for previously applied impairment should cease to exist, the carrying amount of the asset is restored and allocated to the income statement, up to the limits of the original cost.

Financial assets

At the time of their recognition, financial assets must be classified in one of the following categories: *(i)* financial assets valued at amortised cost, *(ii)* financial assets measured at fair value through the comprehensive income statement, and *(iii)* financial assets measured at fair value through the income statement. This classification is made based on the following elements:

- the entity's business model for the management of financial assets; and
- the characteristics of the financial asset's contractual cash flows.

Financial assets are subsequently deleted from the financial statements only if the sale resulted in all risks and benefits related to such assets being substantially transferred. Conversely, when a prevalent share of the risks and benefits associated with the financial assets sold is retained, such assets remain in the financial statements, even if the official ownership of such assets has been officially and legally transferred.

a) Financial assets measured at amortised cost

This category includes financial assets that meet both conditions below:

- the financial asset is held in accordance with a business model whose objective is achieved with the collection of contractually envisaged cash flows ("Hold to collect" business model); and
- the contractual terms of the financial asset give rise, at specific dates, to cash flows that are solely payments of principal and interest on the principal amounts outstanding (so-called "SPPI test" met).

On initial recognition, such assets are recorded at fair value, including transaction costs or proceeds that can be directly attributed to the instrument itself. After initial recognition, the financial assets under examination are measured at amortised cost, using the effective interest method. The amortised cost method is not used for assets - valued at historical cost - whose short term if discounting to present value is deemed to have a negligible effect; loans without a specified maturity and revocable loans are treated in the same way.

b) Financial assets measured at fair value through the income statement

This category includes financial assets other than those classified among "Financial assets measured at amortised cost" and among "Financial assets valued at fair value through the comprehensive income statement".
This category includes financial assets held for trading and derivative contracts that may not be classified as hedging transactions (that are recorded as assets if the fair value is positive and as liabilities if the fair value is negative).
On initial recognition, the financial assets measured at fair value through the income statement are recognised at fair value, without taking into account the transaction costs of proceeds that can be directly attributed to the instrument itself. On subsequent dates of reference, they are valued at fair value and the effects of the measurement are included in the income statement

Financial derivative instruments and hedging transactions

Financial derivative instruments are accounted for in accordance with the provisions of IFRS 9.

On the date the contract is stipulated, financial derivative instruments are initially recognised at fair value, as financial assets measured at fair value through the income statement, when the fair value is positive, or as financial liabilities measured at fair value through the income statement when the fair value is negative.

If the financial instruments are not recognised as hedging instruments, the changes in fair value recorded subsequently to first recognition are treated as components of the result for the financial year. If, instead, the derivative instruments meet the requirements for being classified as hedging instruments, subsequent changes in fair value are recognised in accordance with specific criteria, described below.

A financial derivative instrument is classified as a hedging instrument if the hedging relationship between the hedging instrument and the hedged item is formally documented, including the risk management objectives, the strategy to carry out the hedging and the methods that will be used to check its prospective and retrospective effectiveness. The effectiveness of each hedge is verified at the inception of each derivative and over the life of the position, and in particular on each annual or interim reporting date. Generally, a hedge is deemed to be highly "effective" if, at its inception and during its life, the changes in fair value, in the case of fair value hedge, or in expected future cash flows, in the case of cash flow hedge, of the hedged element are essentially offset by the changes in fair value of the hedging instrument.

The accounting standard IFRS 9 envisages the possibility to designate the following three hedging relationships:

a) fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability, of the changes in fair value of the hedging instrument and the changes in the object of the hedge could affect the income statement.
b) cash flow hedge: in the case of hedges aiming to neutralise the risk from changes in cash flows originating from the future performance of contractually defined obligations on the date of the financial statements, the changes in fair value of the derivative instrument recorded subsequently to first recognition are accounted for, exclusively for the effective quota, in the comprehensive income statement and then in an equity reserve. When the economic effects to which the object of the hedge rise are made clear, the quota accounted for in the comprehensive income statement is reversed in the income statement. If the hedge was not perfectly effective, the change in fair value of the hedge instrument that refers to its ineffective portion is immediately recognised in the income statement.
c) net investment hedge.

If the checks do not confirm the effectiveness of the hedge, from that moment on the accounting of the hedging operations is interrupted and the derivative hedging contract is reclassified among the financial assets measured at fair value through the income statement or among financial liabilities measured at fair value through the income statement. Moreover, the hedging relationship ends when:

- the derivative expires, is sold, rescinded, or exercised;
- the hedged element is sold, expires, or is repaid;
- it is no longer highly probable that the hedged future operation will take place.

Please see note 5.5 for information on the categories of financial assets and liabilities and for the disclosure on fair value.

Trade receivables

Trade receivables arising from the transfer of assets and from the provision of services are recognised in accordance with the terms laid down in the contract with the customer based on the provisions of IFRS 15 and are classified depending on the nature of the borrower and/or the maturity date of the receivable (this definition includes the invoices to be issued for services that have already been provided).

Furthermore, as, generally, trade receivables are short-term and do not envisage the payment of interest, the amortised cost is not calculated, and they are accounted for based on the nominal value recorded in the invoices issued or in the contracts stipulated with the customers: this provision is adopted also for trade receivables whose contractual term is less then 12 months, unless their effect is particular significant. The choice arises from the fact that the amount of short-term receivables is very similar when the historical cost method or the amortised cost criterion is applied and the impact of the discounting logic would, therefore, be totally negligible.

Trade receivables are subject to an impairment test based on the provisions of IFRS 9.
The provisions of IFRS 9 require the application of the expected credit loss model for the measurement of the recoverability of financial assets based on a predictive approach; in particular and with reference to trade receivables, the expected losses have, in general, been determined based on the simplified product-based approach between:

i. the claimed exposure to the counterparty net of related mitigating circumstances (so-called *Exposure At Default*, EAD)
ii. the probability that the counterparty will not comply with their payment obligations (so-called *Probability of*

Default, PD)

iii. the estimate, expressed as a percentage, of the quantity of the receivable that the company will be unable to recover in case of default (so-called *Loss Given Default*, LGD), based on past experience and on the possible recovery actions available (e.g., out-of-court action, litigation, etc.).

For the purposes of measurement, trade receivables are divided by maturity time bands. Performing credits are subject to collective measurement, by grouping the individual exposures based on similar credit risk. The measurement is based on the expected losses throughout the life of the receivable, determined starting with the losses recorded for activities with similar credit risk characteristics based on historical experience, and adjusted in order to reflect the forecasts of future economic conditions.

Inventories

Inventories are assets:
- held for sale during the normal performance of activities;
- used in production processes for sale;
- in the form of materials or supplies of goods to be used in the production process or in the provision of services.

Inventories are recognised at cost and measured at the lower of the cost and the net realisable value.

The cost of inventories includes all purchase costs, the transformation costs, as well as other costs incurred to bring the inventories to the current location and to the current conditions, while it does not include exchange differences in the case of inventories invoiced in a foreign currency. In compliance with the provisions of IAS 2, the weighted average cost method is used to determine the cost of inventories.

When the net realisable value is lower than the cost, the surplus is immediately written down in the income statement.

Cash and cash equivalents

Cash and other cash equivalents are recorded, depending on their nature, at nominal value or at amortised cost. Other cash equivalents represent short-term and high-liquidity financial commitments that can be readily converted into known amounts of cash and which are subject to an insignificant value change risk, whose original maturity or maturity at the time they were acquired does not exceed 3 months.

Payables

Trade and other payables are initially recognised at fair value and are subsequently measured based on the amortised cost criterion.

Payables to banks and other lenders are initially recorded at fair value, net of directly attributable ancillary costs, and are subsequently measured at amortised cost, by applying the effective interest rate criterion. In case where, following an amendment of the conditions of a financial liability, there is a change in the estimate of expected cash flows that entails a change in such flows lower than 10%, it is necessary to recalculate the amortised cost of the financial liability and recognise in net profit a gain or loss deriving from the amendment. The amortised cost of the financial liability must be recalculated as the actual value of the renegotiated or amended cash flows, discounted at the original effective interest rate of the financial liability. Any and all costs or commissions incurred in relation to the amendment adjust the carrying amount of the amended financial liability and are amortised throughout the remaining term of the amended financial liability.

Payables are removed from the financial statements when they are settled and when the Company has transferred all risks and expenses that relate to such instrument.

Defined benefit schemes

Defined benefit schemes include benefits disbursed to the employees, directors or other persons and their dependants and may be settled with payments (or with the provision of goods and services) made directly to the employees, their spouse, children or other dependent persons or to third parties, such as insurance companies, and are divided into short-term benefits, benefits due to employees for the termination of the employment relationship, and benefits following the end of the employment relationship.

Short-term benefits, which also include incentive programmes represented by annual bonuses, MBOs and the one-off renewal of collective labour bargaining agreements, must be accounted for as liabilities (provision for costs) following the deduction of all amounts that have already been paid, and as costs, unless another IFRS standard requires or allows the

inclusion of benefits in the cost of an asset (for example, the cost of personnel employed in the development of internally generated intangible assets).
The category of benefits for termination of the employment relationship includes voluntary redundancy incentive plans, that arise from voluntary resignations that envisage the membership of the employee or for a group of employees in trade union agreements for the activation of so-called solidarity funds, and dismissal plans, which are activated when the employment relationship is terminated by virtue of a unilateral choice made by the undertaking. The undertaking recognises the cost of such benefits in the financial statements as a liability on the date nearest the time at which the undertaking may no longer recall the offer for such benefits and the time at which the undertaking recognises the costs of a restructuring that falls under IAS 37. The provisions for exits are re-examined at least once every six months.

Benefit schemes subsequently to the end of the employment relationship are divided into two categories: defined contribution plans and defined benefit plans.

Defined contribution plans mainly include:

- supplementary pension plans that involve a defined amount of contributions by the undertaking;
- the TFR (Severance Indemnity) fund, exclusively for quotas accruing from 1 January 2007 for undertakings with more than 50 employees, regardless of the destination option chosen by the employee;
- the TFR quotas accrued from 1 January 2007 and intended for supplementary pensions, in the case of undertakings with fewer than 50 employees;
- supplementary health insurance funds.

Defined benefit plans, on the other hand, include:

- the TFR, exclusively for the quota accrued until 31 December 2006 for all undertakings, as well as the quotas accrued from 1 January 2007 and not intended for supplementary pensions for undertakings with fewer than 50 employees;
- End-of-mandate indemnity for the directors
- the supplementary pension funds whose conditions envisage the payment of a defined amount to members;
- seniority bonuses, that envisage an extraordinary disbursement to the employee once they have reached a certain level of seniority.

In defined contribution plans, the obligation of the undertaking that drafts the financial statements is determined based on the contributions due for that financial year and, therefore, the measurement of the obligation does not require actuarial assumptions and there is no possibility of actuarial gains or losses.

The recognition of defined benefit plans is characterised by the recourse to actuarial assumptions to determine the value of the obligation. Such measurement is entrusted to an external actuary and is made every year. For the purposes of discounting, the company uses the projected unit credit method that envisages the projection of future disbursements based on the analysis of historical statistics and of the demographic curve and the financial discounting of such flows based on a market interest rate. Actuarial gains and losses are offset in the equity (in the item "Actuarial profit and loss reserve") as envisaged by the accounting standard IAS 19.

Provisions for risks and expenses, contingent assets and liabilities

Contingent assets and liabilities can be divided into categories depending on their nature and their accounting impact. In particular:

- the provisions are actual obligations of an uncertain amount and occurrence/expiry that arise from past events and for which it is probably that there will be a disbursement of economic resources for the amount of which it is possible to make a reliable estimate;
- contingent liabilities are possible obligations for which the probability of a disbursement of economic resources is not remote;
- remote liabilities are those for which a disbursement of economic resources is rather improbable;
- contingent assets are assets lacking the certainty requirement and which cannot be recognised in the financial statements;
- an onerous contract is a contract in which the non-discretionary costs required to fulfil the obligations taken on are higher than the economic benefits that it is supposed can be obtained from the contract;
- A restructuring is a programme that is planned and controlled by management, and materially changes either the scope of the business undertaken by an entity or the manner in which the business is conducted.

The accounting recognition of the burden involves a recognition of provisions for cases where there is uncertainty regarding the expiry or the amount of the resource flow required to fulfil the obligation or of other liabilities and, in particular, trade payables or accruals.

Provisions are distinguished from other liabilities as there is no certainty with regard to the expiry or the amount of the future expense required for fulfilment. Given their varied nature, the provisions are reported separately from trade payables and accruals.

A liability is recognised or a provision is made to a fund when:

- there is a legal current or implicit obligation as a result of past events;
- it is probable that it will be necessary to employ resources aiming to produce economic benefits to fulfil the obligation;
- a reliable estimate of the obligation's amount may be made.

Provisions require the use of estimates. In extremely rare circumstances, where a reliable estimate cannot be made, there is a liability that cannot be reliably determined and which, therefore, is described as a contingent liability.

The provision to risks and expenses funds is made for an amount that represents the best possible estimate of the expenditure required to settle the related obligation that exists on the date of the financial statements and takes into consideration the risks and uncertainties that inevitably surround may facts and circumstances. The amount of the provision reflects any future events that may shape the amount required to settle an obligation if there is sufficient objective evidence that such events will come about.

Once the best possible estimate of the expenditure required to settle the related obligation existing on the date of the financial statements has been formulated, the actual value of the provision is determined, in case the effect of the current value of money is a pertinent aspect.

Operating revenues

Operating revenues are recognised when the following conditions are met:

- the contract with the customer has been identified;
- the contractual obligations ("performance obligations") contained in the contract have been identified;
- the price has been determined;
- the price has been allocated to the individual contractual obligations contained in the contract;
- the contractual obligation contained in the contract has been fulfilled.

The Company recognises operating revenues when (or as) it fulfils the contractual obligation by transferring the promised merchandise or service (or the asset) to the customer. The asset is transferred when (or as) the customer obtains control thereof.

Assets for work in progress on order are detected by using the percentage of fulfilment as method to evaluate the progress; such methodology recognizes costs, revenues and margin based on the progress of the activity, calculated as a ratio considering the incurred costs at the valuation date and total expected costs of the program ("cost to cost" method).

The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the Company's performance creates or enhances an asset (for example, assets for work in progress on order) that the customer controls as the asset is created or enhanced;
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If the performance obligation is not fulfilled over time, the performance obligation is fulfilled at a specific time. In such case, the Company recognises the revenue at the time the customer obtains the control of the promised asset.

The contractual consideration included in the contract with the customer may include fixed amounts, variable amounts or both. If the contractual consideration includes a variable amount (e.g., discounts, concessions on the price, incentives, penalties, or other similar elements), the Company estimates the amount of the consideration to which it will have a right in exchange for the transfer to the customer of the goods or services promised. In the price of the operation, the Company includes the amount of the estimated variable consideration only to the extent to which it is highly probable that, when the uncertainty regarding the variable consideration is subsequently resolved, there will be no significant downward adjustment

of the amount of the accumulated revenues recognised.
In case the Company has the right to receive a consideration in exchange for goods or services transferred to the customer, the Company recognises an asset deriving from contracts with customers. In the case of an obligation to transfer to the customer goods and services for which a consideration has been received from the customer, the Company recognises a liability deriving from contracts with customers.

The incremental costs of obtaining contracts with customers are accounted for as assets and amortised during the term of the underlying contract, if the Company foresees their recovery. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Recognition of costs

The costs are reported in the income statement on an accrual basis.

Listing costs

In accordance with IAS 32, the listing costs relating to a public subscription offer are accounted for as a direct deduction from equity, while the costs relating to a public sale offer are recorded directly in the income statement. In case the listing operation has a positive outcome, the ratio between the number of new shares and the number of post-listing shares will determine the percentage of expenses that will be accounted for as a direct deduction from equity. If the operation does not go ahead, such costs must instead be expensed to the income statement. In light of the listing in Euronext Milan on 17 February 2022, in the financial statements for 2022 the Company will account for the listing costs in the equity and in the income statement, respectively, as envisaged by IAS 32.

Dividends

Dividends received are accounted for in the income statement on an accrual basis, or in the financial year in which the related right to the receivable arises, following the decision of the shareholders' meeting to distribute dividends by the subsidiary.

The dividends distributed are represented as a change in equity in the financial year in which they are approved by the shareholders' meeting.

Income taxes

Current taxes are calculated based on the taxable income for the financial year, by applying the tax rates in force on the date of the financial statements. The current taxes for the financial year and previous financial years, to the extent that they have not been paid, are recorded as liabilities. Current tax assets and liabilities, for the current financial year and for previous financial years, must be determined at the value that the Company foresees to recover from or to pay to the tax authorities, respectively, by applying the tax rates and the taxation regulatory framework in force or essentially issued on the date of the financial statements.

Deferred taxes are divided into:

- deferred tax liabilities - these are the amounts of income tax due in future financial years in respect of taxable temporary differences;
- deferred tax assets - these are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses, the carry forward of unused tax credits.

The amount of deferred tax assets and liabilities is calculated with the application of the tax rate to the identified temporary taxable or deductible differences, or to unused tax losses and unused tax credits.

Deferred tax assets not recorded in the financial statements and deferred tax assets recorded in the financial statements are measured anew at each financial statements reference date, in order to ascertain that the requirement relating the probability of recovery the deferred tax assets is met.

Conversion of items in foreign currency

Transactions in a currency other than the operating currency are recognised at the exchange rate in force on the date of the operation. Monetary assets and liabilities in a currency other than the Euro are subsequently adjusted to the exchange rate in force on the end date of the financial year. Any exchange differences that arise are reflected in the income statement in the item “Foreign currency profits and losses”.

3. Recently issued accounting standards

The accounting standards adopted in drafting the financial statements of December 2021 are consistent with those followed in drafting the financial statements on 31 December 2020, without prejudice to the adoption of new standards in force from 1 January 2021. The Company has not opted for the early adoption of any standard, interpretation or amendment that has been issued but is not yet in force. Various amendments are applied for the first time in 2021, but without impact on the Company’s financial statements.

Accounting standards, amendments and IFRS interpretations applied from 1 January 2021

The following amendments to the accounting standards started applying to the Company on 1 January 2021:

Amendment to IFRS 16 Covid-19-Related Rent Concessions
On 28 May 2020, the IASB published an amendment to the standard IFRS 16. The amendment makes it possible for a lessee not to apply the requirements of IFRS 16 regarding the accounting effects of contractual amendments for the reduction of lease fee concessions granted by lessors as a direct consequence of the Covid-19 epidemic. The amendment introduces a practical expedient in accordance with which a lessee may opt not to assess whether the reduction of lease fees constitutes contractual amendments. A lessee that opts for using this expedient accounts for such reductions as if they were not contractual amendments under the scope of IFRS 16.
The amendments were meant to be applicable until 30 June 2021, but, as the effect of the Covid-19 pandemic continues, on 31 March 2021 the IASB extended the application period of the practical expedient until 30 June 2022.
The amendments apply to the financial years that start on or after 1 April 2021. Nevertheless, the Company has not received favourable terms on lease fees related to Covid-19; such amendments have, therefore, not had a significant impact on the Company.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform – Phase 2
Issued in August 2020. The amendments supplement those issued in 2019 (Interest Rate Benchmark Reform - Phase 1) and deal with questions that may have an impact on financial disclosure following the reform of a benchmark or its replacement with an alternative rate of reference. The objectives of the Phase 2 amendments are to support undertakings: *(i)* in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships because of the reform of the benchmarks for the determination of interest rates; and *(ii)* in providing information to users of financial statements. Moreover, when the Phase 1 exemptions no longer apply, the companies must amend the hedging relationship documentation to reflect the changes required by the IBOR reform by the end of the year in which the amendments are made (such amendments do not constitute the cessation of the hedging relationship). When the description of a hedged element in the hedging relationship documentation is amended, the amounts accumulated in the hedging reserve are to be considered to be based on the alternative rate of reference based on which future hedged cash flows are determined. The amendments include temporary exceptions from requirements referring to the effects on the financial statements arising from the replacement of the interbank offered interest rate (IBOR) with an alternative rate which is essentially risk-free (Risk Free Rate- RFR). The amendments include the following practical expedients:
• A practical expedient that enables a company to account for contractual amendments or changes in the cash flows that are directly required by the reform, such as changes in a variable interest rate, equivalent to a movement of an interest rate in the market;
• Making it possible for amendments to be made to the documentation for designating the hedging relationship, required by the IBOR reform, without the hedging relationship needing to be discontinued;
• Provide temporary relief to undertakings from having to comply with the separate identification requirements when an RFR is designated as hedging of a risk component.
These amendments have no material impact on the Company’s financial statements.

Accounting standards, amendments and interpretations issued but not yet entered in force

Below please find a description of the standards and interpretations which, on the date on which the Company’s financial statements were drafted, had already been issued but were not yet in force. The Company intends to adopt such new and amended standards and interpretations, where applicable, when they enter into force.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classification of liabilities as current or non-current. The amendments clarify:
• What the right to defer the expiry means
• That the right to defer must exist at the end date of the financial year

• That the classification is not affected by the probability of the entity exercising its right to defer
• That only if a derivative implicit in a convertible liability is, in itself, a capital instrument, the expiry of the liability does not affect its classification.
The amendments will be effective for financial years that will begin on or after 1 January 2023, and must be applied retroactively. This amendment is not foreseen to have a material impact for the Company.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB published the amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments aim to replace the references to the Framework for the Preparation and Presentation of Financial Statements, published in 1989, with the references to the Conceptual Framework for Financial Reporting published in March 2018 without significant changes in the standard's requirements.
The Board also added an exception from the measurement principles of IFRS 3 to prevent the risk of potential "day after" losses or profits deriving from liabilities and contingent liabilities that would fall under the scope of IAS 37 or IFRIC 21 Levies, if contracted separately.
At the same time, the Board decided to clarify that the guidance in IFRS 3 for contingent assets will not be affected by the update of the reference to the Framework for the Preparation and Presentation of Financial Statements.
The amendments will be effective for financial years that will begin on 1 January 2022 and apply from then on.
This amendment is not foreseen to have a material impact for the Company

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB published Property, Plant and Equipment — Proceeds before Intended Use, which forbids undertakings from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in the income statement.
The amendment will be effective for annual periods beginning on or after 1 January 2022 and must be applied retroactively to the items of Property, plant and equipment held for use at the start date or after the start date of the period before the period in which the undertaking applies this amendment for the first time.
These amendments are not expected to have a material impact for the Company.
This amendment is not foreseen to have a material impact for the Company

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of the process relating to the annual improvements 2018-2020 of the IFRS standards, the IASB published an amendment to IFRS 9. This amendment clarifies the fees that an undertaking includes to determine whether the conditions of a new or amended financial liability are substantially different from the conditions of the original financial liability. An entity includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. An entity applies this amendment to the financial liabilities that are modified or exchanged after the date of the first financial year in which the entity applies the amendment for the first time.
The amendment will be effective for financial years who start on or after 1 January 2022; early application is allowed. The Company will apply this amendment to the financial liabilities that are modified or exchanged after or on the date of the first financial year in which the entity applies the amendment for the first time.
This amendment is not expected to have a material impact for the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB published amendments to IAS 37 to specify which costs must be taken into account by an undertaking in assessing whether a contract is onerous or will lead to a loss.
The amendment envisages the application of an approach known as "directly related cost approach". The costs that directly refer to a contract for the supply of goods or services include both incremental costs and costs attributable to the contractual activities. General and administrative expenses are not directly correlated with a contract and are excluded, unless they can explicitly be charged back to the counterparty based on the contract.
The amendments will be effective for financial years that will begin on 1 January 2022.
This amendment is not expected to have a material impact for the Company.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
As part of the process relating to the annual improvements 2018-2020 of the IFRS standards, the IASB published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment makes it possible for a subsidiary to opt for the application of paragraph D16(a) of IFRS 1 to account for cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. This amendment also applies to associated companies or joint ventures that opt for the application of paragraph D16(a) of IFRS 1.
The amendment will be effective for financial years who start on or after 1 January 2022; early application is allowed. This amendment is not expected to have a material impact for the Company.

IAS 41 Agriculture – Taxation in fair value measurements
As part of the process relating to the annual improvements 2018-2020 of the IFRS standards, the IASB published an amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of an asset within the scope of IAS 41.
An undertaking applies this amendment prospectively to the measurement of the fair value starting with the financial years starting on or after 1 January 2022; early application is allowed.
This amendment is not expected to have a material impact for the Company.

Disclosure on accounting standards - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and to IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidelines and examples to help undertakings to apply materiality judgements to the disclosure on accounting standards. The amendments aim to help undertakings to provide information on the most useful accounting standards, replacing the obligation for entities to provide their "material" accounting policies with the obligation to disclose their "pertinent" accounting standards; moreover, the IASB added guidelines on how the entities apply the accrual concept in taking decisions with regard to the disclosure on accounting standards.
The amendments to IAS 1 apply from financial years starting on or after 1 January 2023; early application is allowed.
This amendment is not expected to have a material impact for the Company.

Definition of accounting estimate - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in the accounting standards and correction of errors. Furthermore, they clarify the way in which entities use measurement techniques and inputs to develop accounting estimates.
The amendments are effective for financial years starting on or after 1 January 2023 and apply to changes in accounting standards and to changes in the accounting estimates that take place from the start of this period or thereafter. Early application is allowed on the condition that such fact is made known.
This amendment is not expected to have a material impact for the Company.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a new full standard relating to insurance contracts, that covers recognition and measurement, presentation and disclosure. When IFRS 17 enters into force, it will replace IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (for example: life and non-life, direct insurance, re-insurance), regardless of the type of entity that issues them, as well as to some guarantees and financial instruments with discretionary participation characteristics. Limited exceptions from the scope will apply. The general aim of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers.
The IFRS 17 standard will be effective for financial years starting on 1 January 2023.
This standard does not apply to the Company.

4. Estimates and assumptions

The preparation of the financial statements requires that the Directors apply accounting standards and methodologies which, in certain circumstances, are founded on difficult and subjective assessments and estimates, based on historical experience and on assumptions that are considered, on a case-by-case basis, to be reasonable and realistic depending on the related circumstances.

The application of such estimates and assumptions affects the amounts recorded in the financial statements, such as the statement of financial situation, the income statement, the comprehensive income statement, the cash flow statement, and the disclosure provided. The final results of the financial statements' items for which the aforementioned estimates and assumptions were used may differ, even significantly, from those recorded in the financial statements that report the effects of the occurrence of the event to which the estimate refers, due to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

The following areas require more than others the most use of subjective judgment by Directors in developing estimates; a change in the underlying conditions of the assumptions used for such areas could have a material impact on the Company's financial statements:

a) *Impairment of tangible and intangible assets with a finite life:* tangible and intangible assets with a finite life are subject to checks in order to ascertain whether there was an impairment where there are indicators that lead to foresee difficulties in recovering the related net carrying amount through use. Ascertaining the existence of the aforementioned indicators requires that the Directors make subjective assessments based on the (internal and external) information available, and on historical experience. Furthermore, when it is determined that a potential impairment may be generated, such impairment is determined using assessment techniques that are deemed to be suitable. The correct identification of the indicators of a potential impairment, as well as the estimates for determining such impairments, depend on subjective assessments, and on factors that may vary over time, influencing the assessments and estimates made by management.

b) *Provision for write-downs of receivables*: the determination of this provision reflects the estimates of management relating to historical and expected solvency of customers.

c) *Provision for risks and expenses*: the existence or absence of a current (legal or implicit) obligation is, in some circumstances, not easy to identify. The Directors assess such phenomena on a case-by-case basis, together with the estimate regarding the amount of the economic resources required for the fulfilment of the obligation. Where the Directors believe that it is only possible that a liability will arise, the risks are indicated in the dedicated information on commitments and risks, without forming a provision.

d) *Useful life of tangible and intangible assets*: the useful life is determined at the time the asset is recognised in the financial statements. The assessments on the duration of the useful life are based on historical experience, on the conditions of the market, and on the expectations for future events that may have an impact on such useful life, including changes in technology. Consequently, it may be that the actual useful life is not the same as the estimated useful life.

e) *Deferred tax assets*: deferred tax assets are recognised to the extent it is likely there will be adequate taxable future profits against which to possibly use the temporary differences or any tax losses.

f) *Inventories*: the final inventories of products with obsolescence or slow turnover characteristics are periodically subject to measurement tests and written down if their recoverable value is found to be lower than the carrying amount. The write downs made are based on assumptions and estimates by the Directors deriving from their experience and from the historical results achieved.

g) *Lease liabilities*: the amount of lease liabilities and, consequently, of the related right-of-use assets depends on the determination of the lease term. Such determination is subject to management assessments, with particular reference to the inclusion or exclusion of the periods covered by the lease's renewal and termination options envisaged in the lease contracts. Such assessments will be revised when a material event occurs or if there is a material change in circumstances that affects the reasonable certainty of management to exercise an option that was previously not taken into account in the determination of the lease term or not to exercise an option that was previously taken into account in the determination of the lease term.

5. Management of financial risks

Please see the paragraph "Main risks and uncertainties" of the Directors' Report on Operations.

6. Notes to the statement of financial situation

6.1 Intangible assets

The table below shows the composition and movements of intangible assets for the financial year that ended on 31 December 2021 and for the financial year that ended on 31 December 2020.

(in EUR)	Development costs	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Fixed assets in progress and advance payments	Total
Historical cost on 31 December 2020	**75,000**	**981,019**	**5,460**	**-**	**1,061,479**
Investments	24,495	83,805		791,697	899,997
Reclassifications					
Decreases due to transfers and disposals (Of the book value)					
Historical cost on 31 December 2021	**99,495**	**1,064,824**	**5,460**	**791,697**	**1,961,476**
Amortisation provision on 31 December 2020	**75,000**	**691,219**	**5,460**	**-**	**771,679**

Amortisation	4,899	254,005			258,904
Decreases due to transfers and disposals					
Amortisation provision on 31 December 2021	**79,899**	**945,224**	**5,460**		**1,030,583**
Net carrying amount on 31 December 2020	**-**	**289,798**	**-**		**289,798**
Net carrying amount on 31 December 2021	**19,596**	**119,600**	**-**	**791,697**	**930,893**

Intangible fixed assets on 31 December 2021 mainly consist in Development Costs for EUR 20 thousand, Concessions, licences, trademarks and similar related rights for EUR 120 thousand, and fixed assets in progress for a total of EUR 792 thousand.

The concessions, licences, trademarks and similar rights refer to avionics, management and general software; they are largely licences for use of computer software, amortised by one-third of their original value. In October 2021, the company purchased from the parent company “Civitanavi Systems LTD” its trademark “Civitanavi Systems” for the total amount of EUR 30 thousand under normal market conditions. The trademark is amortised based on its useful life, estimated at eighteen years.

The item “Fixed assets in progress and advance payments” includes the capitalisation of costs relating to development projects that were still ongoing at the end date of the financial statements for the amount of EUR 792 thousand. The item “development costs” of EUR 24 thousand were capitalised and amortised, as they refer to projects completed during 2021.
For more details on the main initiatives, please see the specific paragraph included in the Directors' Report on Operations of this document.
During the financial year under examination, there were no indications of possible impairments with reference to the intangible assets.
No intangible assets with an indefinite useful life are recognized in the financial statements.

6.2 Right-of-use assets and current and non-current lease liabilities

The main equity information relating to lease contracts stipulated by the Company, which mainly acts as lessee, are shown in the table below.

(in EUR)	**31.12.2021**	**31.12.2020**
Net carrying amount of right-of-use assets (property)	1,867,289	1,876,042
Net carrying amount of right-of-use assets (vehicles)	538	6,456
Total carrying amount of right-of-use assets	**1,867,827**	**1,882,498**
Current lease liabilities	142,002	138,572
Non-current lease liabilities	1,860,075	1,828,137
Total lease liabilities	**2,002,077**	**1,966,709**

The table below shows the main economic and financial information relating to lease contracts stipulated by the Company.

(in EUR)	**31.12.2021**	**31.12.2020**
Amortisation of right-of-use assets (property)	175,890	140,893
Amortisation of right-of-use assets (vehicles)	5,918	6,456
Total amortisation of right-of-use assets	**181,807**	**147,349**
Interest payable for leases	**48,852**	**40,164**
Property lease fees	176,662	156,816
Vehicle lease fees	6,042	6,591
Total outgoing cash flows for leases	**182,704**	**163,407**

Right-of-use assets relating to 31 December 2021, like those relating to 31 December 2020, refer to the lease of a property located in Ardea (RM), to the lease of a property used as headquarters located Pedaso (FM), to a contract for a property used as guest quarters located in Porto San Giorgio (FM), to the lease of a property located in Casoria (NA) and to a vehicle rental contract.
The value of right-to-use activities decrease by EUR 15 thousand and the value of lease liabilities increased by EUR 35 thousand compared to 31 December 2020. In 2021, the company stipulated an additional lease contract for a property used as guest quarters located in Pedaso (FM); please note that such contract was stipulated with a related party.

The value of the amortisations of right-to-use assets and interest payable for leases increased compared to 31 December 2020, with an additional EUR 43 thousand being recognised in the income statement.

This increase is mainly attributable to the adjustment of Lease fees, by the contractually envisaged percentage, to the annual average variation of the *FOI(nt) - National consumer-price index for the families of factory and office workers*, which, during 2021, recorded a continuous growth trend and an average variation of 1.4% compared to 2020.

On 31 December 2021, the Company has not identified durable impairment indicators in relation to right-of-use assets.
The table below shows the values of the Company's lease liabilities on 31 December 2021.

(in EUR)	31 December 2021					
	within 1 year	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 years**	**Carrying amount**	**Contractual value**
Lease liabilities	142,002	145,658	449,660	1,264,757	2,002,077	2,002,077

The discount rate was determined based on the Company's incremental borrowing rate, i.e. the rate that it would have to pay for a loan, of a similar term and with similar guarantees, required to purchase an asset of a value similar to that of the asset that consists in the right to use in a similar economic context.

6.3 Tangible assets

The table below shows the composition and movements of tangible assets for the financial year that ended on 31 December 2021.

(in EUR)	**Plant and equipment**	**Industrial and commercial equipment**	**Other Assets**	**Buildings**	**Tangible assets in progress and advance payments**	**Total**
Historical cost on 31 December 2020	**2,832,526**	**644,085**	**426,402**	**262,937**	**-**	**4,165,950**
Investments	8,500	194,463	89,992	3,476	162,987	459,418
Disposals			(2,050)			**(2,050)**
Reclassifications						**-**
Historical cost on 31 December 2021	**2,841,026**	**838,548**	**514,344**	**266,413**	**162,987**	**4,623,318**
Depreciation provision on 31 December 2020	**1,468,497**	**219,932**	**210,742**	**95,904**	**-**	**1,995,075**
Depreciation	366,813	106,678	70,312	34,011		**577,814**
Disposals			(2,050)			**(2,050)**
Depreciation provision on 31 December 2021	**1,835,310**	**326,610**	**279,004**	**129,915**	**-**	**2,570,839**
Net carrying amount on 31 December 2020	**1,364,029**	**424,153**	**215,660**	**167,032**	**-**	**2,170,874**
Net carrying amount on 31 December 2021	**1,005,716**	**511,938**	**235,340**	**136,498**	**162,987**	**2,052,479**

Tangible assets mainly refer to plant, equipment and industrial equipment used in the production process. The item "tangible assets in progress and advance payments" includes the amount of advance payments made to suppliers for the purchase of machinery and expenses for the expansion of the production plant of Pedaso (improvements on third-party assets).

Investments relating to tangible fixed assets for the financial year that ended on 31 December 2021, amounting to EUR 459 thousand, mainly related to the purchase of machinery for production and instruments for expanding the production area. Such investments aimed at increasing the company's production capacity.

The net value of the tangible assets disposed of is of an insignificant amount.

During the financial years under examination, there were no indications of possible impairments with reference to the tangible assets.

On 31 December 2021, there are no tangible assets owned by the company encumbered by any type of guarantee granted in favour of third parties.

6.4 Investments in subsidiaries and other financial assets

The value of the financial assets mainly refers to 50 Cash collect certificates with 95% protection of the capital issued by UniCredit bank expiring on 20 November 2023, subscribed during 2019 for a total amount of EUR 50 thousand.

The investments in subsidiaries recognised among fixed assets for EUR 1 refer to an investment in a subsidiary recognised at the cost of acquisition following the subscription, in November 2020, of the entire capital of an English company under the name Civitanavi UK Ltd, incorporated in 2020, for commercial development purposes, and currently non-operational.

6.5 Deferred tax assets

The table below shows the detailed statement of deferred tax assets on 31 December 2021 and on 31 December 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Presumed losses on receivables	8,400	8,400
Unrealised foreign currency losses	2,057	176
Intangible assets	2,585,700	2,873,000
Assets for work in progress on order	0	808,699
Inventories	48,000	24,000
Financial derivative instruments	6,219	14,417
Provisions for risks and expenses	0	5,535
Provisions for employee benefits	41,698	32,665
Right-of-use assets	24,792	24,792
Deferred tax assets	**2,716,866**	**3,791,685**

Deferred tax assets were recognised as it is thought probable that the company will realise taxable income for which they could be used.

During 2021, Deferred tax assets decreased by EUR 1,075 thousand due to the effect of: *(i)* the fiscal amortisation calculated for 2021 associated with the tax benefit deriving from the re-measurement pursuant to the provisions of article 110 of (It.) Decree Law 104/2020 (converted with amendments by (It.) Law 126/2020) that was made in the financial statements for 31 December 2020, approved in accordance with the national accounting standards and subject to derecognition on first adoption of the EU-IFRS and the use of the provision for risks on assets for work in progress on order; *(ii)* the decrease of deferred tax assets for work in progress on order by EUR 809 thousand, following the preparation of the supplementary tax statements for the years 2018 and 2019 deriving from the restatement made in the 2020 financial statements.

The table below shows the detailed statement of deferred tax liabilities on 31 December 2021 and on 31 December 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Unrealised foreign currency profits	1,154	761
Assets for work in progress on order	-	12,816
Deferred tax liabilities	**1,154**	**13,577**

The table below shows the composition and movements of the gross value of deferred tax assets for the period that ended on 31 December 2021.

(in EUR)	**Presumed losses on receivables**	**Unrealised foreign currency profits and losses**	**Deductible emoluments in cash**	**Intangible assets**	**Assets for work in progress on order**	**Inventories**	**Financial derivative instruments**	**Provisions for risks and expenses**	**Provisions for employee benefits**	**Right-of-use assets**	**Total deferred tax assets**
Balance on 31.12.2020	**8,400**	**176**	**-**	**2,873,000**	**808,699**	**24,000**	**14,417**	**5,535**	**32,665**	**24,792**	**3,791,685**
Provisions (uses) in the income statement		1,881		(287,300)	(808,699)	24,000	(8,199)	(5,534)	9,033		(1,074,818)
Provisions (uses) in the comprehensive income statement											-
Balance on 31.12.2021	**8,400**	**2,057**	**-**	**2,585,700**	**-**	**48,000**	**6,218**	**1**	**41,698**	**24,792**	**2,716,866**

Deferred tax assets and deferred tax liabilities derive from the temporary differences between the value allocated to an asset or liability in the financial statements and the value allocated to the same asset or liability for tax purposes.

6.6 Inventories

The table below shows the detailed statement of inventories on 31 December 2021 and on 31 December 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Finished products and merchandise	755,392	571,857
Raw, ancillary materials and consumables	2,902,162	2,031,501
Unfinished and semi-finished products	1,231,507	428,589
Advance payments to suppliers for merchandise	859,458	18,916
Gross inventories	**5,748,519**	**3,050,863**
Provision for inventory write-downs	(200,000)	(100,000)
Inventories	**5,548,519**	**2,950,863**

The provision for inventory write-downs amounts to EUR 200 thousand on 31 December 2021. The provisions for the year 2020 amount to EUR 100 thousand.

The significant increase in stocks is mainly attributable to the increased turnover and to the semi-finished and raw materials category for production needs, and to the advance payments made in 2021 for the purchase of goods and merchandise held for sale during 2022.

6.7 Trade receivables

The table below shows the detailed statement of trade receivables on 31 December 2021 and on 31 December 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Trade receivables from customers	9,771,431	6,613,941
Trade receivables from subsidiaries	-	-
Trade receivables from other related parties	-	-
Trade receivables (gross)	**9,771,431**	**6,613,941**
Provision for write-downs of trade receivables	(135,583)	(86,869)
Trade receivables	**9,635,848**	**6,527,072**

It is deemed that the carrying amount of the trade receivables is approximately equal to the fair value.
The table below provides a breakdown of the trade receivables on 31 December 2021.

(in EUR)	**Due to expire**	**Past due up to 30 days**	**Past due between 30 and 60 days**	**Past due between 61 and 90 days**	**Past due over 90 days**	**Total**
Gross trade receivables on 31 December 2021	5,501,863	2,031,784	1,418,870	180,129	619,725	**9,752,371**
Invoices to be issued/Credit notes to be issued	19,060					**19,060**
Provision for write-downs of receivables						**135,583**
Trade receivables on 31 December 2021	**5,520,923**	**2,031,784**	**1,418,870**	**180,129**	**619,725**	**9,635,848**

The amount of receivables past due over 90 days net of the Provision for write-downs of receivables (of EUR 136 thousand) amounts to EUR 484 thousand and refers, for EUR 128 thousand, to the VAT receivable relating to a trade receivable recognised as a loss in the previous financial years; the remaining part is attributable to receivables from customers of consolidated reliability who were granted an additional payment extension with a view to commercial growth.
Moreover, please note that the total trade receivables, increased in the fourth quarter of 2021 due to the significant increase in shipments, decreased by approximately EUR 2,000 thousand in the first months of 2022, a symptom of a return to normal operation trends.

Pursuant to article 2427 number 6 of the (It.) Civil Code, please note that there are no receivables due beyond 5 years.

The table below shows the movements of the provision for write-downs of trade receivables for the financial year that ended on 31 December 2021.

(in EUR)	**Provision for write-downs of trade receivables**
Balance on 31 December 2020	**86,869**
Provisions	48,714
Uses	-
Balance on 31 December 2021	**135,583**

6.8 Assets for work in progress on order / Advance payments on assets for work in progress

Assets for work in progress on order, amounting to EUR 17,284 thousand on 31 December 2021 and to EUR 12,411 thousand on 31 December 2020, refer to the inventories of work in progress for multi-year orders.

Advance payments on assets for work in progress on order, amounting to EUR 14,565 thousand on 31 December 2021 and to EUR 11,769 thousand on 31 December 2020, refer to advance payments received from customers for multi-year orders.

The table below shows the net carrying amount of assets for work in progress on order.

(in EUR)	**31.12.2021**	**31.12.2020**
Assets for work in progress on order	17,284,535	12,410,848
Provision for losses on future orders	-	(226,862)
Net carrying amount of assets for work in progress on order	**17,284,535**	**12,183,986**

For more information relating to assets for work in progress on order, please see note 7.1 of this document and the Directors' Report on Operations.

6.9 Other receivables and current assets

The table below shows the detailed statement of other receivables and current assets on 31 December 2021 and on 31 December 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Tax and other receivables	2,355,823	1,257,588
Deferred expenses	576,857	78,288
Advance payments	210,755	75,864
Other receivables and current assets	**3,143,435**	**1,411,740**

Tax and other receivables mainly refer to:

- Tax credits deriving from the supplementary tax statements for 2018 and 2019 income submitted in November 2021 (for EUR 1,522 thousand for 31 December 2021 and null for 31 December 2020) for the restatement for error correction made in the 2020 financial statements;
- tax credit for research and development costs (amounting to EUR 390 thousand on 31 December 2021 that remain from the previous year and EUR 585 thousand on 31 December 2020);
- VAT receivable from the Tax Authorities (amounting to EUR 278 thousand on 31 December 2021 and EUR 233 thousand on 31 December 2020);
- receivable for the contribution of (It.) Law 808 (null on 31 December 2021 and amounting to EUR 63 thousand on 31 December 2020);
- receivable for the Sabatini Contribution (amounting to EUR 70 thousand on 31 December 2021 and EUR 81 thousand on 31 December 2020);

Deferred expenses mainly refer to: *(i)* insurance premiums and software support fees; *(ii)* suspended costs relating to the ongoing process for listing on the Online Stock Market for the total amount of EUR 493 thousand in accordance with IAS 32.

Advance payments, amounting to EUR 211 thousand, mainly include advance payments made to suppliers during the financial year 2021.

6.10 Current financial assets

The table below shows the value of current financial assets on 31 December 2021 and on 31 December 2020.

(in EUR)	**31 December 2021**	**31 December 2020**
Current financial assets	1,346,041	0

The item current financial assets, amounting to EUR 1,346 thousand, includes the fair values of investments in Sicav/Sicaf/ETF Common investment funds deposited with the custodian UniCredit S.p.A. on 31 December 2021 for EUR 780 thousand and the restricted current account that relates to the trade bank guarantee issued to a customer to whom the company expects to make sales amounting to EUR 566 thousand in 2022.

The adjustment to the fair value on 31 December 2021 generated a financial income of EUR 16 thousand and a financial expense of EUR 13 thousand. For more details, please see note 7.9 of this document.

6.11 Cash and cash equivalents

The table below shows the detailed statement of cash on 31 December 2021 and on 31 December 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Bank and postal deposits	1,717,014	5,593,009
Cash in hand	2,170	3,896
Cash and cash equivalents	**1,719,184**	**5,596,905**

In the years 2021 and 2020, the cash was not subject to restrictions or limitations. Please note that the Company has available and unused credit lines and unused bank overdrafts, amounting to EUR 420 thousand.
Please see the cash flow statement for the changes in cash during the years under examination.

6.12 Net Equity

The table below shows the detailed statement of equity on 31 December 2021 and on 31 December 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Share capital	500,000	500,000
Legal reserve	100,000	100,000
Extraordinary reserve	10,454,616	9,122,002
Cash flow hedge instruments reserve	(19,692)	(45,655)
EU-IFRS first-time adoption reserve	(32,454)	(32,454)
Actuarial profit and loss reserve	(91,561)	(73,372)
Other reserves	-	2,600
Retained earnings (losses)	2,513,883	(2,047,419)
Net profit	4,878,619	5,891,315
Total net equity	**18,303,411**	**13,417,018**

The statements of changes in net equity is shown in the related section.

Share capital
On 31 December 2021, the Company's share capital, subscribed and paid in full, amounts to EUR 500 thousand.

Derivatives reserve
The Derivatives reserve, net of the deferred tax effect, was recognised almost in its entirety due to the negative "fair value" on the end date of the interim Financial Statements of the derivative (IRS) stipulated to hedge the risk from variations in the interest rates of the bank bond loan issued in 2018 with a contractual notional value of EUR 5,000 thousand. For more information, please see note 6.13 of this document.

EU-IFRS first-time adoption reserve
The balance of the EU-IFRS first-time adoption reserve is negative by EUR 32 thousand and represents the effects of the transition from the Italian accounting standards to the EU-IFRS.

Actuarial profit and loss reserve
The actuarial profit and loss reserve includes the profits and losses deriving from changes in the actuarial assumptions in relation to defined benefit schemes. Please see note 6.14 of this document.

The table below shows the items of equity, with specification of their origin, possibility of use and distribution, and the use made thereof in the previous financial years.

(In EUR)	**31 December 2021**	**Origin / nature**	**Possibility of use**	**Quota available**
Share capital	500,000	Capital	B	
Legal reserve	100,000	Profits	A;B	
Extraordinary reserve	10,454,616	Profits	A;B;C;D	10,454,616[1]
Unrealised foreign currency profit reserve	-	Profits	A;B	
Actuarial profit and loss reserve	(91,561)	Profits		

EU-IFRS first-time adoption reserve	(32,454)	Capital		
Expected cash flow hedge instruments reserve	(19,692)	Capital		
Retained earnings (losses)	2,513,883	Profits	A;B;C;D	
Total	**13,424,792**			

For each item, the table above provides the possibilities of use as follows:

- A: for capital increase
- B: for loss hedging
- C: for distribution to the shareholders
- D: for other statutory constraints
- E: other

(1) Please note that during the year 2020 the Company decided to revaluate intangible assets, in particular a patent and company know-how in accordance with Law n.126/2020 and consequently has recorded "Revaluation reserve" under tax suspension. As consequence of the adoption of international accounting standards, this reserve is not evidenced in the balance sheet, however, in order to ensure the principle of fiscal neutrality, the tax suspension constraint has been constituted on part of the existing extraordinary reserve for EUR 9,700 thousand.

6.13 Financial liabilities (current and non-current)

The table below shows the detailed statement of current and non-current financial liabilities on 31 December 2021 and on 31 December 2020.

(in EUR)	31.12.2021		31.12.2020	
	Current quota	Non-current quota	Current quota	Non-current quota
Unicredit bond loan 2018 (a)	824,746	1,658,934	3,306,307	
Total bond loans	**824,746**	**1,658,934**	**3,306,307**	
Loans from credit institutions (b)	269,757	107,885	376,123	377,630
Hedging derivative (c)		25,911	60,072	
MiSE financing (d)	93,668	931,972		777,720
Payables for credit cards	3,488			
Total loans	**366,913**	**1,065,768**	**436,195**	**1,155,350**
Total Financial Liabilities	**1,191,659**	**2,724,701**	**3,742,501**	**1,155,350**
Total current quota and non-current quota	**3,916,360**		**4,897,851**	

Below please find a description of the main items that compose the Company's financial liabilities on 31 December 2021 and on 31 December 2020.

a. Bond loans

UniCredit Bond Loan

On 21 December 2018, the Company issued an interest-bearing bond loan expiring on 21 December 2024, for the initial nominal value of EUR 5 million, which was subscribed by an investor qualified pursuant to art. 2483 of the (It.) Civil Code; such loan is recognised in the "bonds" item based on the amortised cost criterion.
The debt obligations bear interest at the nominal variable rate equal to the three-month EURIBOR plus 200 base points (2%) per year; the interest thus matured on the obligations is paid in arrears every quarter.
The regulation of the bond loan envisages that the Company must comply with specific "obligations and/or commitments to abstain from acting" (Covenants), among which the obligation not to take on additional medium/long-term debt in any shape or form for a principal amount individually higher than EUR 400 thousand per individual year, and in total higher than EUR 2,000 thousand for the entire term thereof.
On 31 December 2020, the Company failed to comply with the aforementioned contractual commitment, having stipulated a new loan in the financial year 2020, under the name of MiSE Loan 2018 (subsidised loan), obtained for a capital amounting to EUR 887 thousand. In this regard, please note that, as described under the previous point, the Company has maintained informal contacts with UniCredit, which led to the Company obtaining informal approval of the operation. On 31 December 2020, this liability was therefore entirely reclassified as short-term.

On 24 November 2021, the bond-holders' meeting cancelled the aforementioned Covenant and, consequently, on 31 December 2021, the liability was classified among Non-Current Liabilities for the quota that expires after more than 12 months.
The company has no loans that require compliance with financial parameters.

b. Loans from Credit Institutions

(in EUR)	31.12.2021		31.12.2020	
	Current quota	**Non-current quota**	**Current quota**	**Non-current quota**
Creval Sabatini mortgage (B 1)	17,196	-	101,987	17,185
Banca Intesa 2018 loan (B 2)	124,438	-	147,468	124,438
Intesa 120280 loan (B 3)	128,123	107,885	126,668	236,007
Total	**269,757**	**107,885**	**376,122**	**377,630**
Current Payables to Banks	3,488			
Total Loans	**273,244**	**107,885**	**376,122**	**377,630**

B 1) Unsecured Creval - Sabatini loan "Capital goods" 2018
In the context of the programme Horizon 2020, the European Investment Bank and the European Investment Fund signed a delegation agreement with the EU for the management of specific financial instruments aiming to facilitate access to credit for SMEs and Small Mid-Caps and support investments in the field of research and innovation.
It was thus that, in January 2018, the company stipulated a loan for the total amount of EUR 400 thousand with Banca Creval.

This loan is assisted by the InnovFin Guarantee for undertakings, with the support of the European Union in the context of the programme Horizon 2020.

B 2) Unsecured Banca Intesa – Sabatini loan 2018

On 27 November 2018, the company stipulated a loan for the total amount of EUR 575 thousand with Banca Intesa.
The loan is set to expire on 31 October 2022 and the instalments are paid every month in arrears.
This loan is assisted by the Guarantee Fund for small and medium enterprises established pursuant to art. 2, paragraph 100, letter a) of (It.) Law 662/96 and regulated by the decrees of the Ministry of Industry, Trade and Small Business dated 31/05/1999 no. 248 and 03/12/1999 and by the decree of the Ministry of production activities dated 23/09/2005.

B 3) Unsecured Banca Intesa – Sabatini mortgage 2019

On 28 November 2019, the company stipulated a mortgage for the total amount of EUR 500 thousand with Banca Intesa. The loan is set to expire on 31 October 2023. The contract envisages repayment in increasing instalments paid every month, starting on 31 December 2019, and the settlement of the monthly interest in arrears from 30 November 2019, at a fixed annual rate of 0.95%.
This loan is assisted by the Guarantee Fund for small and medium enterprises established pursuant to art. 2, paragraph 100, letter a) of (It.) Law 662/96 and regulated by the decrees of the Ministry of Industry, Trade and Small Business dated 31/05/1999 no. 248 and 03/12/1999 and by the decree of the Ministry of production activities dated 23/09/2005.

c. Hedging Derivative

The item includes almost the entire negative "fair value" on the end date of the financial of the interest rate risk hedging derivative on the bond loan stipulated on 21/12/2018 with a contractual notional amount of EUR 5,000 thousand, expiring on 20/12/2024.
On 31 December 2020, this liability was reclassified as short-term as a result of what is described under point a. above in relation to the failure to comply with the non-financial parameter envisaged by the bond loan. On 31 December 2021, this liability was classified as long-term in consistency with the related underlying. For more details, please see the paragraph "Bond Loan under point a)".

Below please find the change in Fair Value:

(in EUR)	**Notional amount**	**Negative mark to market**
31.12.2021	2,500,000	25,911
31.12.2020	3,333,333	60,072

d. MiSE financing - 2018

On 5 February 2018, the company Civitanavi Systems SpA, in the context of (It.) Law of 24.12.1985 no. 808 on "Interventions for developing and increasing the competitiveness of industries operating in the aeronautics sector", applied

for a loan amounting to a total of EUR 1,515 thousand for the project "FOGPIC Fiber Optic Gyroscope Photonic Inertial Chip", equal to 75% of the costs/expenses of the research and development activities for the years 2018-2019, structured in annual quotas and with recognition of the related expenditure for each year.
Later, on 28 February 2020, the company applied to extend the term of the project in question, because of slow-downs due to the very new technologies used which caused technical issues to the project. As a consequence, the company was given leave to account for the activities carried out in the years 2018 and 2019 subsequently to the approval of the 2019 financial statements and to extend the residual activities until 31 December 2020. An additional report was submitted in 2021, which concluded with the disbursement of a tranche of EUR 318 thousand (of which 20% as a non-refundable contribution) which led to the total amount of EUR 1,427 thousand being disbursed on 31 December 2021. This amount must be repaid by the Company only for the loan part, amounting to EUR 1,142 thousand, as the remaining 20% is a non-refundable contribution. The remaining part will be repaid in 10 annual instalments of EUR 114 thousand each, starting in 2023.

The tables below show, for the periods under examination and pursuant to IAS 7, the changes in financial liabilities deriving from the cash flows generated and/or absorbed by loans, as well as those deriving from non-monetary elements.

(in EUR)	1 January 2021	Loans taken	Change in hedging derivatives	Repayments	Amortised cost	31 December 2021
Current and non-current financial liabilities	4,897,851	257,850	(34,161)	(1,210,617)	5,439	3,916,360
Total financial liabilities	**4,897,851**	**257,850**	**(34,161)**	**(1,210,617)**	**5,439**	**3,916,360**

6.14 Defined benefit schemes

Defined benefit schemes include the payable for employee benefits amounting to EUR 878 thousand and the payable for end-of-mandate indemnity of the Chairman of the BoD amounting to EUR 4 thousand.
The table below shows the composition and movements of defined benefit schemes for the financial year that ended on 31 December 2021.

(in EUR)	Severance indemnity
Balance on 31 December 2020	**655,934**
Current service cost	203,369
Directors' end-of-mandate indemnity	4,301
Financial expenses	3,314
Actuarial losses/(profits)	23,933
Benefits paid	(12,678)
Balance on 31 December 2021	**878,173**

Provisions relating to personnel represent the estimate of the obligation, determined based on actuarial techniques, that relates to the amount to be paid to employees on cessation of the employment relationship.

On 31 December 2021, defined benefit schemes refer to the severance indemnity (hereinafter referred to as "**TFR**"), put aside as a provision for employees.

In light of the insignificant impact on 31 December 2021, the company did not discount the payable for end-mandate indemnity to the director.

Severance indemnity (TFR)

Employee benefits relating to the TFR amount to EUR 878 thousand and EUR 656 thousand in 31 December 2021 and 31 December 2020, respectively.

The value of the TFR-related payable, which falls under the definition of defined benefit schemes in accordance with IAS 19, was determined in accordance with actuarial logics. Below please find the main actuarial, financial and demographic assumptions used to determine the value of the liability on 31 December 2021, in accordance with the provisions of IAS 19.

Summary of the technical economic bases *(as a percentage)*	**31 December 2021**
Annual discount rate	0.98%
Annual inflation rate	1.75%
Annual TFR increase rate	2.81%
Annual salary increase rate	0.50%
Death	RG48 mortality tables published by the General Accounting Office
Disability	INPS tables by age and sex
Retirement	100% when the AGO [Mandatory General Insurance] requirements are met, as adjusted to (It.) Decree Law 4/2019
Probability of early TFR	1.00%
Annual turnover rate	3.00%

The table below summarises the sensitivity analysis for each actuarial, financial and demographic assumption, showing the effects (in absolute value) of a potential change in the reasonably possible actuarial assumptions on 31 December 2021.

Sensitivity analysis 2021	**31 December 2021**
Turnover rate +1.00%	846,517
Turnover rate -1.00%	889,419
Inflation rate +0.25%	893,695
Inflation rate -0.25%	839,487
Discount rate +0.25%	832,144
Discount rate -0.25%	901,951

The table below shows the estimate of expected payments (at nominal value) on 31 December 2021 relating to the TFR in future years.

Years	**Disbursements foreseen (in EUR)**
2022	42,555
2023	39,465
2024	45,607
2025	51,536
2026	87,378

6.15 Provisions for risks and charges

The table below shows the composition and movements of the provisions for risks and expenses for the financial year that ended on 31 December 2021 and for the financial year that ended on 31 December 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Provision for risks of litigation	-	23,064
Provision for losses on future orders	-	226,862
Provisions for risks and expenses	**-**	**249,926**

(in EUR)	**Provision for risks of litigation**	**Provision for losses on future orders**	**Total**
Provision on 31 December 2020	**23,064**	**226,862**	**249,926**
Provisions	0		**0**
Uses	(23,064)	(226,862)	**(249,926)**
Provision on 31 December 2021	**0**	**0**	**0**

The provision of risks for future order losses on 31 December 2020 refers to two orders with a negative margin, as they represent an investment in terms of product and technology development that the company deemed to be of strategic importance in order to obtain customers and important future opportunities. On 31 December 2021, the provision is used for the amount of EUR 227 thousand essentially in light of the closure of the orders.

The provision for risks of litigation, amounting to EUR 23 thousand on 31 December 2020 is fully used during the financial year following a defeat in an action against an employee and the related payment.

6.16 Trade payables

The table below shows the detailed table of trade payables on 31 December 2021 and on 31 December 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Trade payables to suppliers	3,191,010	1,967,692
Trade payables to subsidiaries	-	-
Trade payables to other related parties	149,881	-
Trade payables	**3,340,891**	**1,967,692**

Trade payables mainly relate to transactions for the purchase of raw materials, components and services. For trade payables to related parties, please see note 8 of this document.
It is deemed that the carrying amount of the trade payables is approximately equal to the fair value.

6.17 Tax payables

Current tax payables amount to EUR 672 thousand on 31 December 2021 and EUR 768 thousand on 31 December 2020.
The item only includes liabilities for certain and determined taxes; in particular, it refers to: *(i)* withholdings at source on employment, similar relationships and independent work payables, for EUR 176 thousand on 31 December 2021 and for EUR 151 thousand in 2020; *(ii)* IRES-IRAP payable for EUR 493 thousand on 31 December 2021 and EUR 317 thousand in 2020; *(iii)* payable relating to the substitute tax for the re-measurement of intangible fixed assets made pursuant to (It.) Law 127/2020 for EUR 3 thousand on 31 December 2021 and EUR 300 thousand on 31 December 2020.

6.18 Other current payables and liabilities

The table below shows the detailed statement of other current assets and liabilities on 31 December 2021 and 31 December 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Payables to employees	906,068	696,612
Payables to pension institutions	482,748	368,419
Deferred income	118,249	137,302
Payables to the Chairman of the BoD and Ceo	30,679	6,373
Accrued liabilities	1,006	925
Advance payments from customers	1,068,572	163,401
Other	9,226	3,139
Other current payables and liabilities	**2,616,548**	**1,376,172**

Payables to employees mainly refer to emoluments to be paid and deferred expenses, such as holidays, leave, and bonuses. The increase of this item is attributable to the allocation of production bonuses that will be disbursed in 2022.
Payables to pension institutions mainly refer to liabilities to pension bodies and prevident societies for the payment of contributions. The increase is mainly attributable to the increase in current personnel members.
Advance payments from customers amount to EUR 1,069 thousand on 31 December 2021 and EUR 163 thousand on 31 December 2020. This item increased due to advance payments collected with reference to orders made in 2021.
Deferred Income refers to capital grants decided by the Region of Marche for the purchase of machinery recognised in the item “Other revenues” and to the interest-rate subsidies as per (It.) Ministerial Decree 25/01/2016 New Sabatini pursuant to MiSE Decrees of 14/02/2018, 09/04/2019 and 02/03/2020, as well as to investments in capital goods made in 2020 and 2021 pursuant to art. 1, paragraph 185 of (It.) Law 160/2019 and pursuant to art.1, paragraphs 1051-1063 of (It.) Law 178/2020.

7. Notes to the income statement

7.1 Operating revenues

On 31 December 2021, operating revenues amount to EUR 24,998 thousand and are composed of changes in inventories for EUR 986 thousand and of contracts with customers for EUR 24,011 thousand, of which EUR 4,874 thousand for changes in assets for work in progress on order.

The table below shows the detailed statement of operating revenues by geographical area for the financial years that ended on 31 December 2021 and 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Italy*	5,700,703	2,499,078
EU*	2,045,256	7,038,454
Non-EU*	16,265,394	8,711,737
Total contracts	**24,011,353**	**18,249,269**
Of which WIP (Changes in Assets for work in progress on order)	***4,873,689***	***3,868,524***
Change in inventories of semi-finished products and finished products	986,451	38,767
Total operating revenues	**24,997,804**	**18,288,036**

*Figure that includes the Change for Assets for work in progress on order on 31 December 2021 and 2020.

The item Change in Assets for work in progress on order includes the economic offset of the allocation to the provision of risks for future order losses, zero on 31 December 2021 as mentioned below.

(in EUR)	**31 December 2021**		
	Change in the financial year	**Allocation to the provision for risks**	**Total**
Revenues from Change to WIP 31 December 2021	4,873,689	0	4,873,689

Working in progress on order refers to contracts stipulated specifically for development activities in the aerospace and defence divisions.

Almost no contract with customers stipulated by the Company envisages variable considerations.
The Company believes that there are no contracts that contain a significant financial component, or for which the period between the transfer of the asset agreed to the customer and the payment made by such customer exceeds twelve months. The Company, therefore, has not adjusted the consideration of the operation to take into account the effects of the temporary value of money.

The table below shows the division of revenues by "type"

(In Eur)	**31.12.2021**	**31.12.2020**
Revenues from product sales	17,303,346	12,921,359
Revenues from services	1,703,630	1,459,386
Revenues from royalties	130,688	-
Changes in Assets for work in progress on order	4,873,689	3,868,524
Total Operating revenues net of the change in inventories	**24,011,353**	**18,249,269**
Change in FP and SFP inventories	986,451	38,767
Total Operating revenues	**24,997,804**	**18,288,036**

<u>Disclosure on Operating Segments</u>

Pursuant to IFRS 8 par. 12, following a qualitative measurement made by the company, it was decided to group the activity sectors in a single reporting segment.

7.2 Other revenues and income

The table below shows the detailed statement of other revenues and income for the financial years that ended on 31

December 2021 and 2020.

(in EUR)	31.12.2021	31.12.2020
Clawbacks and chargebacks	5,819	9,429
Operating grants	76,636	799,748
Other grants	24,767	24,767
Extraordinary income/capital gains	1,781	135
Other	35,082	13,323
Other revenues and income	**144,085**	**847,403**

The item Operating grants decreased following the conclusion of a project financed by MiSE in 2020, the financial year in which the grant was recognised for EUR 64 thousand. Moreover, please note that, in 2021, the R&D tax credit was not accounted for, as it has not been estimated with reasonable certainty on the date of these financial statements.

7.3 Raw material costs and change in inventories

The table below shows the detailed statement of purchases and consumption of raw materials for the financial years that ended on 31 December 2021 and 2020.

(in EUR)	31.12.2021	31.12.2020
Purchases of raw materials and consumables	9,372,037	6,223,023
Changes in inventories of raw materials, ancillary materials, consumables and goods	(702,852)	326,191
Cost of purchase of goods and change of inventories	**8,669,186**	**6,549,214**

The item changes in inventories includes net allocations to the provision for inventory write-downs for a value of EUR 100 thousand for the financial year that ended on 31 December 2021 and EUR 100 thousand for the financial year that ended on 31 December 2020.

The increase in such “cost for the purchase of goods and change in inventories” is proportional to the increase in turnover relating to products, in line with the previous year. Please note that, in 2020 and 2021, the “Cost of purchase of goods and change of inventories” keenly felt the effect of the costs incurred for the purchase of products (KIT) sold essentially at cost price, as a result of corporate strategic choices (for more details, please see the Directors' Report on Operations “Performance of the Company and analysis of the results for the period that ended on 31 December 2021”). By neutralising the costs and revenues deriving from such contract, the effect of purchases and consumption of raw materials, semi-finished products and finished products on the revenues from product sales is found to be in line with previous financial years.

7.4 Personnel costs

The table below shows the detailed statement of personnel costs for the financial years that ended on 31 December 2021 and 2020.

(in EUR)	31.12.2021	31.12.2020
Salaries and wages	3,153,446	3,140,603
Social security expenses	1,135,812	873,848
Expenses for severance indemnity	295,592	226,094
Other	88,033	14,008
Personnel costs	**4,672,884**	**4,254,554**

The cost of labour on 31 December 2021 amounts to a total of EUR 4,673 thousand, an increase of EUR 418 thousand compared to 31 December 2020.

This increase is the result of the combined effect of: *(i)* the increase in social Expenses, the Expenses for severance indemnity and Other for EUR 405 thousand mainly due to the new hires made during 2021 to deal with the growth of business; *(ii)* the increase of the costs of Salaries and wages by EUR 13 thousand, a modest increase as EUR 722 thousand were allocated due to the nature of the costs capitalised in R&D. Please see note 6.1 of this document.

The table below shows the average and exact number of Company employees for the financial years that ended on 31 December 2021 and 2020, with indication of the category.

Exact number	**31.12.2021**	**31.12.2020**
Blue-collar workers	36	9
White-collar workers	76	80
Middle managers	7	4
Executives	2	1
Total employees	**121**	**94**

Average number	**31.12.2021**	**31.12.2020**
Blue-collar workers	23	9
White-collar workers	78	74
Middle managers	6	4
Executives	1	1
Total employees	**108**	**88**

7.5 Services costs

The table below shows the detailed statement of costs for services for the financial years that ended on 31 December 2021 and 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Utilities and cleaning services	146,835	94,705
Maintenance	56,082	61,928
Transport	101,826	77,445
Consultancy	1,211,563	1,063,540
Technical services	930,620	553,709
Travel and accommodation expenses	118,685	86,053
External processing	428,095	523,220
Marketing and trade fairs	58,819	29,791
Insurance	73,040	46,519
Canteen	118,444	75,662
Commissions	11,775	10,029
Sole Administrator and BoD emoluments	222,621	143,517
Auditing firm fees	44,631	10,400
Board of Statutory Auditors emoluments	9,880	-
Other services	93,917	90,361
Services costs	**3,626,831**	**2,866,879**

The costs for technical services mainly refer to Research and Development services, which markedly increased due to an increase in assets for works in progress on order compared to the financial year 2020, to (administrative, legal, etc.) consultancy services, to external processing, to the emoluments of the managing body (sole administrator and board of directors since 13 October 2021) and costs for other services. The latter mainly refer to the expenses sustained by the Company for the containment of the Covid-19 pandemic (protective equipment).

7.6 Other operating costs

The table below shows the detailed statement of other operating costs for the financial years that ended on 31 December 2021 and 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Costs relating to leases, rentals and licences	149,764	122,634
Taxes and duties	235,422	1,617
Substitute tax	-	300,000
Association fees and charity	15,817	17,815
End-of-mandate indemnity for Directors	4,301	-
Other minor	5,401	12,680
Other operating costs	**410,705**	**454,746**

The amount "Taxes and duties" refers mainly to an active repentance on 2021. In October 2021, the Revenue Agency started a tax audit concerning the tax periods from 2012 to 2014, with particular reference to a tax credit amounting to EUR 198 thousand, provided by the Italian law D.l.n.70/2011. At the end of the audit, after a contradiction, the Revenue Agency issued on 2 December 2021 a report, contesting the undue compensation of the tax credit. The Company, although it considers that it acted correctly and had valid objections to the conclusions reached by the Revenue Agency, has regularized its position through the institution of active repentance referred to art. 13 of Italian law D.Lgs. 472/1997 paying the amount due, for tax fines and interest, for the total amount of EUR 228 thousand. This cost was attributed to Ebitda Adjusted as not recurring.

The costs relating to leases include: *(i)* fees referring to the short-term lease of assets and *(ii)* costs connected to the use of the assets underlying the lease contracts that do not fall under the scope of application of IFRS 16.

7.7 Write-downs of net financial assets

Write-downs of net financial assets, amounting to EUR 49 thousand and EUR 33 thousand on 31 December 2021 and on 31 December 2020, respectively, refer to the write-down of trade receivables. Below please find the detailed statement relating to the movements of the provision for receivable write-downs for the financial years that ended on 31 December 2021 and 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Allocations and write-downs of current receivables	48,994	33,070
Write-downs of net financial assets	**48,994**	**33,070**

The provisions for the financial year derive from the calculation of the Provision for Receivable Write-downs, as indicated in IFRS 9, and from the Probability of Default for the year and the reference sector.

7.8 Amortisation/depreciation

The table below shows the detailed statement of amortisations/depreciations and write-downs for the financial years that ended on 31 December 2021 and 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Amortisation and write-downs of intangible assets	258,902	265,420
Depreciation and write-downs of tangible assets	577,813	506,501
Amortisation and write-downs of right-of-use assets	181,807	147,349
Provisions for risks	-	20,200
Amortisation/depreciation	**1,018,522**	**939,470**

The item records an increase of EUR 79 thousand mainly attributable to the increase in amortisation for rights of use attributable to the adjustment of Lease fees, by the contractually envisaged percentage, to the annual average variation of the FOI(nt) - National consumer-price index for the families of factory and office workers, which, during 2021, recorded a continuous growth trend and an average variation of 1.4% compared to 2020.

7.9 Financial income and expenses

The table below shows the detailed statement of financial revenues for the financial years that ended on 31 December 2021 and 31 December 2020.

(in EUR)	**31.12.2021**	**31.12.2020**
Interest receivable	13	235
Net foreign currency profits	14,818	28,566
Income from derivative contracts	-	166
Capital gains from financial investments	62,140	-
Re-measurement of financial investments	16,300	-
Other financial income	6,442	111,630
Financial income	**99,714**	**140,597**

The item Financial Income is recognised for EUR 100 thousand and presents a decrease by EUR 40 thousand compared to 31 December 2020. This decrease is due to the combined effect of: *(i)* the decrease due to the measurement at amortised cost of the non-interest-bearing loan granted by the MiSE; *(ii)* the increase due to the capital gains realised from the sale of the Sicav/Sicaf/ETF financial instruments.

The table below shows the detailed statement of financial expenses for the financial years that ended on 31 December 2021 and 2020.

(in EUR)	31.12.2021	31.12.2020
Interest on bond loans or loans	63,878	90,116
Bank interest	3,317	2,940
Net foreign currency losses	37,020	28,092
Interest on lease liabilities	48,852	40,164
Interest on the discount of benefit schemes	3,314	3,355
Capital losses from financial investments	8,807	-
Write-down of financial investments	13,253	-
Expenses for derivative contracts	25,023	28,107
Other financial expenses	514	65
Financial expenses	**203,978**	**192,838**

Financial expenses increase by EUR 11 thousand mainly due to: *(i)* the increase in interest payables for leases for EUR 9 thousand, attributable to the adjustment of Lease fees by the contractually envisaged percentage, to the annual average variation of the *FOI(nt) - National consumer-price index for the families of factory and office workers*, which, during 2021, recorded a continuous growth trend and an average variation of 1.4% compared to 2020; *(ii)* the write-down of financial investments for adjustment to fair value on 31 December 2021 for EUR 13 thousand.

7.10 Income taxes

The table below shows the detailed statement of income taxes for the financial years that ended on 31 December 2021 and 2020.

(in EUR)	31.12.2021	31.12.2020
Current taxes	(1,504,001)	(949,650)
Deferred taxes	(264,059)	2,876,078
Taxes relating to previous financial years	56,176	(20,379)
Income taxes	**(1,711,884)**	**1,906,049**

The table below shows the reconciliation of the theoretical taxation rate with the actual effect on results before tax for the financial years that ended on 31 December 2021 and 2020.

(in EUR)	31.12.2021	31.12.2020
Profit before tax	6,590,503	3,985,266
Theoretical rate	24%	24%
Theoretical tax burden	**(1,581,721)**	**(956,464)**
Tax effects of non-taxable revenues	3,951	146,609
IRAP [Regional Income Tax]	(290,758)	(135,493)
ACE [Aid for Economic Growth]	110,792	13,460
Tax effect of non-deductible costs	(75,524)	(43,037)
Tax benefit from re-measurement	(287,300)	2,873,000
Other	408,676	7,973
Income taxes	**(1,711,884)**	**1,906,049**

7.11 Earnings per share (EPS)

The table below shows the statement of earnings per share for the financial years that ended on 31 December 2021 and 2020.

(in EUR)	31.12.2021	31.12.2020
Net profit	**4,878,619**	**5,891,315**
Number of shares in circulation	500,000	500,000
Treasury shares	0	0
Number of shares entitled to profits	**500,000**	**500,000**
Basic earnings per share	**9.76**	**11.78**
Diluted earnings per share	**9.76**	**11.78**

8. Transactions with related parties

Transactions carried out with related parties, identified based on the criteria laid down by IAS 24, are mainly of a commercial and financial nature and are carried out under normal market conditions.

The following statements show the details of economic and equity relationships with related parties during 2021.

List of Related Parties	Type and main relationship
Civitanavi Systems Ltd	Parent company of Civitanavi Systems S.p.A.
Civitanavi UK Ltd	Subsidiary of Civitanavi Systems S.p.A.
Acutronic Switzerland Ltd	Company in which Michael Perlmutter (administrator of Civitanavi Systems SpA) holds the office of member of the board of directors.
Sensonor AS	Company in which Michael Perlmutter (shareholder of Civitanavi Systems Ltd and, since 13 October 2021, administrator of Civitanavi Systems SpA) has, since 2021, held the office of director. Company in turn controlled by Sensonor Holding AG, of which Thomas Jung (shareholder of Civitanavi Systems Ltd and, since 13 October 2021, director of Civitanavi Systems SpA) owned an investment (approximately 27%) until October 2021.
Natural persons	
Alan Kaile	Sole administrator of Civitanavi UK Ltd
Michael S. Perlmutter (hereinafter PERLMUTTER)	Natural person who owns investments in the control chain of the Company and member of the Board of Directors in office
Thomas Jung	Natural person who owns investments in the control chain of the Company and member of the Board of Directors in office
Mario Damiani	Member of the Board of Directors in office since 17/02/2022
Roberta Pizzarulli, attorney-at-law	Relative of the Chairman of the Board of Directors and CEO
Andrea Pizzarulli (hereinafter Pizzarulli)	Sole Administrator until 13 October 2021 and Chairman of the Board and Directors in office and CEO
Luigi Pizzarulli	Relative of the Chairman of the Board of Directors and CEO
Lucia Cingolani	Relative of the Chairman of the Board of Directors and CEO
Alessandro Cingolani	Relative of the Chairman of the Board of Directors and CEO

The table below summarises the Company's equity relationships with related parties on 31 December 2021.

RELATED PARTIES *in EUR thousands*	Civitanavi Systems Ltd	Acutronic Switzerland	Civitanavi UK Ltd	Sensonor	Alan Kaile	Perlmutter	Thomas Jung	Roberta Pizzarulli, attorney-at-law	Damiani	Pizzarulli	Natural persons, relatives of Pizzarulli	Total	Total item of the financial statements	Effect on the item of the financial statements
Other tangible assets														
31 December 2021		74										74	535	14%
Intangible assets														
31 December 2021	30											30	931	3%

Investments in subsidiaries and other financial assets														
31 December 2021			-										50	0%
Warehouse inventories														
31 December 2021		769										769	5,549	14%
Other receivables														
31 December 2021											1	1	2,567	0%
Defined benefit schemes														
31 December 2021										4	24	28	878	3%
Payables to suppliers														
31 December 2021	30				14				106			150	3,341	4%
Other current payables														
31 December 2021						16	4			10	19	50	2,497	2%

The table below summarises the economic relationships of the Company with related parties on 31 December 2021.

RELATED PARTIES *in EUR thousands*	**Civitanavi Systems Ltd**	**Acutronic Switzerland**	**Civitanavi UK Ltd**	**Sensonor**	**Alan Kaile**	**Perlmutter**	**Thomas Jung**	**Roberta Pizzarulli, attorney-at-law**	**Damiani**	**Pizzarulli**	**Natural persons, relatives of Pizzarulli**	**Total**	**Total item of the financial statements**	**Effect on the item of the financial statements**
Costs of purchase of goods and change of inventories														
31 December 2021		5		39								44	8,669	1%
Services costs														
31 December 2021					52	115	8	2	141	193		511	1,987	26%
Personnel costs														
31 December 2021											122		4,673	0%
Other operating costs														
31 December 2021											3	3	411	1%

The costs and revenues, payables and receivables shown above refer to relations of a commercial and financial nature:

- the relations with Civitanavi Systems Ltd, parent company, are of a commercial nature and regulated in Euros. In particular, they concern the sale of the trademark "Civitanavi Systems";
- Civitanavi UK Ltd, fully owned subsidiary;
- the relations with Acutronic Switzerland Ltd are of a commercial nature and regulated in Euros. Specifically, Acutronic supplies movement simulation machinery, spare parts and related support. Payment on account for the purchase of tangible assets and advance payments for assets held for resale were made in 2021;
- the relations with Sensonor AS are of a commercial nature and regulated in Euros. Specifically, Sensonor supplies raw materials;
- Alan Kaile provides consultancy services and the relations are regulated in GBP;
- the relations with Perlmutter have been of a commercial nature and regulated partly in Euros and partly in Dollars; specifically, Perlmutter provided commercial consultancy services to the company until October 2021. On 13 October 2021, the consultancy contract was terminated and he was appointed as member of the Board of Directors;

- the relations with Thomas Jung refer to the office of director;
- the relations with Roberta Pizzarulli, attorney-at-law, are of a commercial nature and regulated in Euros. Specifically, Ms Pizzarulli provides legal consultancy services to the company;
- the relations with Damiani are of a commercial nature and regulated in Euros. Specifically, Damiani provides commercial consultancy services to the company. As of 17 February 2022, Damiani holds office in the BoD;
- the relations with Pizzarulli refer to the office of Sole Administrator until 13 October 2021, when the ordinary shareholders' meeting accepted his resignation and appointed a new managing body. Since that date, he has received an emolument in his capacity as Chairman of the BoD and CEO;
- payables to "natural persons related to the Administrator" mainly refer to employment relationships and to the lease contract for a building used as guest quarters.

9. Commitments and risks

The Company has ongoing bank sureties as guarantee for the commitments taken on in fulfilment of contractual obligations for a total guaranteed amount of USD 704 thousand. Moreover, the company has signed a surety relating to the contract for the lease of the property where the company's headquarters are located, for a guaranteed value of EUR 50 thousand.

10. Information on assets and loans for a specific business

The Company has not constituted any assets to be allocated exclusively to a specific business pursuant to art. 2447 bis letter a) c.c..

11. Information on agreements not resulting from the balance sheet

The company has no agreements not resulting from the Balance Sheet pursuant to art. 2427, first paragraph, n-22 ter of the Civil Code.

12. Emoluments of the Sole Administrator, Board of Directors and members of the Board of Statutory Auditors

The emoluments due to the sole administrator, in office for the first 9 months of 2021, amounted to EUR 121 thousand. The Board of Directors (3 members) was appointed in October 2021 for an annual emolument of EUR 315 thousand, accounted for pro rata temporis in these financial statements.
The Board of Statutory Auditors was appointed in October 2021 for an annual emolument of EUR 20 thousand, accounted for pro rata temporis in these financial statements.
Please note that an additional fee of Euro 5 thousand has been paid to the Board of Statutory Auditors for the reopening of the 2020 financial statements.
No loans or advance payments were made to the administrator or shareholders during the financial year.

13. Auditing firm fees

The activity carried out by the sole auditor until 22 June 2021 amounts to EUR 4 thousand. The fees of the auditing firm for the audit on 31 December 2021 amount to EUR 22 thousand. The additional fees paid for Audit related activities" amount to EUR 55 thousand referring to the R&D tax credit certificate, the voluntary revision of the IFRS annual report for the three-year period 2018-2019-2020 and the voluntary mid-term review as of 30 September 2021 (and comparative data as of 30 September 2020). The fees paid for "Other Non-Audit Activities" amount to EUR 209 thousand mainly related to the process of listing the shares on the Euronext Milan Market managed by Borsa Italiana S.p.A..

14. Research and development activities

The R&D activities carried out by the Company aim at introducing new products and at implementing new production processes. The activity is structured in various stages, which range from the concept and launch of the design process of the new product or process to large-scale industrialisation.

15. Significant events following the end of the period

There are no significant events following the end of the financial year, other than what is mentioned in the Foreword to this document with regard to the completion of the share listing process, on 17 February 2022, on the Euronext Milan managed by Borsa Italiana S.p.A.
With regard to the evolution of the situation that involves the Russian Federation and Ukraine, the Company confirms that, also in 2022, there was a significant geographical diversification of operating Revenues by Country. However, it is specified that the Company has no ongoing relations, of a commercial or other nature, with such States.

16. Information pursuant to art. 1, paragraph 125 of (It.) Law of 4 August 2017, no. 124

With regard to the provisions of art. 1, paragraph 125, third indent of (It.) Law 124/2017 on the obligation to declare subsidies, contributions, paid assignments and however economic advantages of any type obtained from the public administration and equivalent bodies, please note that the Company obtained the following state aid (de minimis and non) from the public administration:

- Nuova Sabatini “Agevolazione per l'acquisto di macchinari e beni strutturali” for EUR 11 thousand;
- Fondimpresa “Fondi interprofessionali per la formazione continua” for EUR 6 thousand;
- Voucher for consultancy in innovation for EUR 9 thousand;
- Bando regione marche Azione 1.3.1 “Promuovere i processi di innovazione Aziendale” for EUR 49 thousand;
- Bando Regione Marche “POR FESR 2014-20 - Asse 1 OS 1 Azione 1.2 – Ingegnerizzazione e Industrializzazione dei risultati della ricerca e valorizzazione economica dell’innovazione” for EUR 215 thousand;
- Aerospace research and development projects (law 808/85) part from grants of EUR 63 thousand;
- Tax credit “Sanificazione e DPI” pursuant to art 125 DL 34-2020 of EUR 9 thousand;
- Tax credit “Sanificazione e DPI” pursuant to art. 32 DL 73-2021 of EUR 7 thousand.

The state aid can be freely consulted on the National State Aid Register.

17. Proposal for the allocation of profits

It is proposed that the shareholders’ meeting allocate the profit of the financial year that ended on 31 December 2021 amounting to EUR 4,879 thousand:
- to the legal reserve for EUR 244 thousand
- and to the extraordinary reserve for EUR 4,635 thousand

Pedaso, 24 March 2022

Signed by
Andrea Pizzarulli
Chairman of the Board of Directors and CEO

Attestation of Manager in charge of Financial Reporting

Attestation of the financial statements pursuant to Article 81–ter of Consob Regulation No. 11971 of 14 May 1999, as amended

1. We, the undersigned, Andrea Pizzarulli as Chief Executive Officer and Letizia Galletti as Manager in charge of Financial Reporting of Civitanavi S.p.A., hereby attest, including in accordance with Art. 154-bis, paragraph 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the company; and
- the effective application

of administrative and accounting procedures for the preparation of financial statements in the year 2021.

2. We also attest that:

2.1 the Financial Statements:

a) have been prepared in accordance with the applicable International Financial Reporting Standards endorsed by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;
b) correspond to the information contained in the accounting ledgers and records;
c) provide a true and fair representation of the equity, economic and financial situation of the issuer.

2.2 The Directors' Report on Operation includes reliable analysis on the performance, result of operations and the business of the issuer, as well as description of principal risks and uncertainties to which is exposed.

24 March 2022

Signed by	Signed by
Andrea Pizzarulli	Letizia Galletti
Chief Executive Officer	Manager in charge of Financial Reporting

Opinion of the Board of Statutory Auditors

Civitanavi Systems SpA
Registered Office in Pedaso (FM) – Italy, Via del Progresso 5, 63827
C.F. and registration number in the Marche Business Register: 01795210432
REA n. FM - 200518
Institutional Website: www civitanavi com

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors to the Shareholders' Meeting of "Civitanavi Systems SpA" pursuant to art. 2429, paragraph 2 of the Italian Civil Code and Article 153 of Italian Legislative Decree 58/98 convened for the approval of the Financial Statements as at 31 December 2021

Dear Shareholders,

The Board of Statutory Auditors of Civitanavi Systems SpA (hereinafter also the "Company"), pursuant to Article 153, Italian Legislative Decree 58/1998, and Article 2429, paragraph 2, of the Italian Civil Code, is called upon to inform the Shareholders' Meeting - convened to approve the Financial Statements - on the supervisory activity carried out during the year in the fulfillment of its duties, on the omissions and reprehensible facts that may be detected, and on the results of the financial year, as well as to formulate proposals regarding the Financial Statements, the approval of the same and the matters within its competence.

Premise

This report refers to the activities carried out by the Board of Statutory Auditors of the Company for the financial year ended on 31 December 2021, pointing out that trading of Civitanavi Systems SpA shares on the Euronext Milan market managed by Borsa Italiana S.p.A. was launched on 17 February 2022.

Starting from its appointment, which took place by the shareholders' meeting of 7 October 2021, and until today, the Board of Statutory Auditors has carried out the supervisory activity in accordance with the provisions of the Law, taking into account the principles of conduct recommended by the Italian National Council of Chartered Accountants and Accounting Experts, the CONSOB provisions on corporate controls, as well as the provisions contained in art. 19, Italian D. Lgs. 39/2010.

The Company's financial statements were prepared on the basis of the EU-IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union, as well as in accordance with the provisions issued by CONSOB in implementation of Article 9, paragraph 3, Italian D. Lgs. 38/2005.

The explanatory notes to the Financial Statements indicate the general principles adopted in the preparation of the same.

The financial statements have also been prepared in XHTML format in accordance with the provisions of delegated Regulation (EU) 2019/815 of the European Commission on regulatory technical standards relating to the specification of the single electronic communication format (ESEF - European Single Electronic Format - "Delegated Regulation").

The Company is not required to submit the declaration referred to in Articles 3 of Legislative Decree no. 254/2016 (individual non-financial statement), not having exceeded the dimensional limits referred to in Article 2 of the aforementioned decree.

The Board of Statutory Auditors has acquired information instrumental to the performance of supervisory tasks assigned through participation in the meetings of the Board of Directors and the Committees set up within the administrative body, hearings of the *Company's management*, information acquired by the competent company structures, as well as further control activities.

Appointment and Independence of the Board of Statutory Auditors

The Board of Statutory Auditors in office at the date of this report was appointed by the Shareholders' Meeting of 7 October 2021; is composed of Marco Donadio (Chairman), Eleonora Mori and Cesare Tomassetti (Standing Auditors), as well as Daniela Angeloni and Giuseppe Mogliani (Alternate Auditors). The supervisory body will expire on the date of the Shareholders' Meeting to approve the financial statements for the 2023 financial year.

The Board of Statutory Auditors, at the time of its appointment and during its office, verified the existence of the requirements for independence.

The Board of Statutory Auditors carried out the self-assessment activity of the same control body; the results were communicated to the Board of Directors and formalized in the first minutes of the periodic meeting.

The composition of the Board of Statutory Auditors respects the criterion of distribution between the genders referred to in art. 148 of Legislative Decree 58/98 (T.U.F.).

Supervision and control activities of the Board of Statutory Auditors

The Board of Statutory Auditors has carried out its supervisory activities in compliance with the provisions of Article 2403 of the Civil Code and Article 149, D. Lgs. 58/1998, as well as Article 19 of Legislative Decree 39/2010, as illustrated below.

Supervisory and information activities required by CONSOB

The Board, in carrying out the tasks within its competence, has carried out the supervisory activity prescribed by Article 2403 of the Civil Code and Article 149, Legislative Decree 58/1998, by the recommendations of CONSOB regarding corporate controls and activities of the Board of Statutory Auditors, following the indications contained in the Corporate Governance Code , the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants and Accounting Experts. In drafting this Report, account has been taken of CONSOB communications no. 1025564 of 6 April 2001, no. 3021582 of 4 April 2003 and no.

6031329 of 7 April 2006, concerning the content of the reports to the Shareholders' Meetings of the Boards of Statutory Auditors of companies with shares listed on the stock exchange.

As part of its functions, therefore, the Board of Statutory Auditors:

- during the 2021 financial year – as of his appointment – met twice, with an average duration of meetings of four hours;
- did not participate, during the year ended 31/12/2021, in any meeting of the board committees "Risk Control and transactions with related parties" and "Remuneration and Appointments", since they became effectively operational from the date of admission of the Company's shares to trading on the Euronext Milan market (17 February 2022);
- participated – from the date of his appointment and until 31/12/2021 – in two meetings of the Shareholders' Meeting and five meetings of the Board of Directors, supervising compliance with the statutory, legislative and regulatory rules governing the functioning of the Company's bodies, as well as compliance with the principles of proper administration;
- has supervised, as far as it is within its competence, the adequacy of the Company's organizational structure and compliance with the principles of proper administration, through direct observations, collection of information from the heads of certain corporate functions and meetings with the auditing firm BDO Italia S.p.A. (hereinafter "BDO" or "Independent Auditors"), in the context of a mutual exchange of data and relevant information;
- has evaluated and supervised the adequacy of the internal control system and the administrative and accounting system, as well as the reliability of the latter to correctly represent the management facts, through the information of the heads of the respective functions, the examination of company documents and the analysis of the results of the work carried out by the Auditing Firm;
- with reference to the flow of information between the Company and its subsidiary Civitanavi UK Ltd. it should be noted - pursuant to Article 114, paragraph 2, Legislative Decree 58/1998 - that the same is not currently operational and that there are no economic-financial relationships between the two companies;

In addition, the Board of statutory auditors:

- has obtained from the Directors - pursuant to Article 150, paragraph 1, Legislative Decree 58/1998 - adequate information on the activities carried out and on the most significant economic, financial and patrimonial transactions carried out by the Company. In this regard, both collectively and individually, the Board paid particular attention to the fact that the operations approved and carried out complied with the law, the Articles of Association and were not imprudent or risky, in contrast to the resolutions taken by the Shareholders' Meeting, in potential conflict of interest or such as to compromise the integrity of the Company's assets;
- met, during the preparation of the report to the financial statements, with the representatives of the Independent Auditors pursuant to Article 150, paragraph 3, Legislative Decree 58/1998, and no relevant data and/or information emerged that should be highlighted in this Report;

- supervised the procedures for the concrete implementation of the corporate governance rules provided for by the Corporate Governance Code to which the Company adheres – starting with the trading of the shares on the Euronext Milan market – as adequately represented in the Report on Corporate Governance and Ownership Structure, in compliance with Article 124-ter, Legislative Decree 58/1998, and Article 89-bis of the Issuers' Regulations.

Supervisory and information activities required by the Consolidated Law on Statutory Audit

Pursuant to art. 19, Legislative Decree no. 39/2010 (Consolidated Law on Statutory Audit), the Board of Statutory Auditors is called upon to supervise:

- on the financial reporting process;
- the effectiveness of internal control and risk management systems;
- on the statutory audit of the financial statements and on the independence of the Independent Auditors, in particular with regard to the adequacy of the provision of services other than auditing to the Company.

Financial reporting process

The Board of Statutory Auditors supervised the existence of rules and procedures relating to the process of formation and dissemination of financial information.

In this regard, it should be noted that the Report on Corporate Governance and Ownership Structure illustrates the ways in which the Company has defined its Internal Control and Risk Management System in relation to the financial reporting process.

The Board of Directors of the Company, at its meeting on 13 October 2021, appointed As the Manager in charge of preparing the Company's accounting documents, Mrs. Letizia Galletti - CFO of the company - assigning to her, with effect from the date of commencement of trading of the Company's shares, the following responsibilities:

- draw up accompanying written statements for the Company's acts and communications disseminated to the market and relating to accounting information, including interim financial reporting;
- prepare appropriate administrative and accounting procedures for the preparation of the financial statements and, where applicable, the consolidated financial statements as well as any other communication of a financial nature;
- certify with a specific report on the financial statements and on the abbreviated half-yearly financial statements (a) the adequacy and effective application of the administrative and accounting procedures for the preparation of the financial statements; (b) that the documents are drawn up in accordance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002; (c) the correspondence of the documents to the results of the books and accounting records; (d) the suitability of the documents to provide a true and fair representation of the issuer's financial position; (e) for the financial statements, that the annual report includes a reliable analysis of the performance and result of operations,

as well as the situation of the Issuer, together with a description of the main risks and uncertainties to which they are exposed; (f) for the condensed half-yearly financial statements, that the interim management report contains a reliable analysis of the information referred to in art. 154-ter, paragraph 4, TUF.

The Manager in charge is supported in carrying out his activities by the *internal audit* function that has been considered competent and impartial in the judgment, as well as equipped with sufficient economic and operational resources.

The Board of Statutory Auditors acknowledges having received adequate information on the monitoring of business processes with administrative-accounting impact within the Internal Control System, carried out during the closure of the accounts for the preparation of the financial statements.

The adequacy of the administrative-accounting system was also assessed through the acquisition of information from the heads of the respective functions and the analysis of the results of the work carried out by the Independent Auditors.

No particular critical issues and obstacles to the issuance of the certificate by the Manager in charge of preparing the company's accounting documents and the Chief Executive Officer regarding the adequacy of the administrative and accounting procedures for the preparation of the Company's financial statements for the 2021 financial year have emerged.

Supervisory activities on effectiveness of internal control and risk management systems

The Board of Statutory Auditors points out that the board committees "Control, Risks and Related Parties" and "Remuneration and Appointments" and the Internal Audit Function were established by resolution of the Board of Directors of 13 October 2021 and effectiveness subject to listing the actions of the Company; their activity therefore began to run from the listing of the Company's shares on the Euronext Milan market, which took place on 17 February 2022; prior to that date, the Board was informed of the interventions aimed at preparing and implementing the adequacy and operation of the internal control system.

The Board of Statutory Auditors supervised the adequacy of internal control and the effectiveness of the internal control and risk management.

The Board of Statutory Auditors acknowledges that it has verified the most relevant activities carried out overall by the internal control and risk management system through a specific exchange of information with the functions in charge.

As part of its control activities, in particular, the Board of Statutory Auditors acknowledges that it has attended the first meeting of the Internal Control and Risk Committee and the Remuneration and Appointments Committee on 21 March 2022.

The Board of Directors has decided to adopt an Organization, Management and Control Model pursuant to Legislative Decree 231/2001 ("MOG") suitable for preventing the adoption of unlawful conduct by senior managers, managers or persons with decision-making powers and to indemnify, as far as possible, the Company from the potential sanctions provided for against the Company itself.

To this end, the Company has appointed an external consultant to support management in the definition of the MOG and expects the completion of the work in the first half of the current year.

A Code of Ethics has already been adopted, available on the Company's website.

The Annual Report lists the main risks identified, monitored and managed.

In the light of the above and taking into account the evolution of the internal control and risk management system, also as a result of the new organizational structures deriving from the listing of the Company's shares, on the basis of the analysis carried out and the information acquired, no elements have emerged that could make us consider inadequate, as a whole, the Company's internal control and risk management system.

Statutory audit of the financial statements and independence of the Independent Auditors

The Board of Statutory Auditors acknowledges that:

– the Independent Auditors, in charge of the statutory audit of the accounts for the period 2021-2029, carried out the checks required by the applicable rules and in the meetings with the Board of Statutory Auditors did not highlight facts and / or findings such as to be reported in this Report;

– the Board of Statutory Auditors supervised the audit of the annual accounts, inquiring and dealing with the Independent Auditors.

In particular, all the main phases of the audit activity were illustrated to the Board of Statutory Auditors, including the identification of risk areas with a description of the relevant procedures adopted.

The Board of Statutory Auditors supervised the independence of BDO Italia S.p.A., verifying the nature and the extent of the services other than accounting control with reference to the Company and its subsidiaries and parent companies.

In this regard, the Board of Statutory Auditors reports that, during the year, the Auditing Firm was assigned additional tasks to those relating to the statutory audit of the accounts, reported by the Company in the information pursuant to Article 149-duodecies of the Issuers' Regulations as part of the Annual Financial Report. The Board of Statutory Auditors considers that the relative fees are appropriate to the size, complexity and characteristics of the work carried out and that the assignments for services other than auditing are not such as to threaten the independence of the auditor; the Board has also verified that the tasks entrusted to the auditing firm are not among those prohibited pursuant to Article 5 of European Regulation 537/2014.

Having verified the nature, extent and duration of the non-audit services rendered, the Board of Statutory Auditors therefore considers that the requirement of independence of the Independent Auditors exists, pursuant to Articles 10 and 17 of Italian Legislative Decree 39/2010 and Articles 4 and 5 of European Regulation 537/2014.

Finally, it should be noted that the Independent Auditors today:

– issued the report pursuant to articles 14 and 16 of Italian Legislative Decree 39/2010 and Article 10, European Regulation 537/2014, from which it appears that the Company's financial statements as at 31 December 2021 comply with the EU-IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union, as well as with the measures issued in implementation of Article 9 c. 3, Legislative Decree 38/2005, ed is clearly drafted and represents in a truthful and correct way the financial and financial situation, the economic result and the cash flows for the year ended on that date. This report shall not contain any remarks or references to information;

- expressed its opinion on the consistency of the management report and some specific information contained in the report on corporate governance and ownership structure with the Company's financial statements, confirming that the aforementioned reports are drawn up in accordance with the law;
- has delivered to the Board of Statutory Auditors the additional report referred to in art. 11, European Regulation 537/2014, in relation to which this control body has no comments such as to be mentioned in this Report; the Board of Statutory Auditors also points out that this Report does not reveal any significant deficiencies with reference to the internal control system.

The Board of Statutory Auditors points out that the Independent Auditors have confirmed its independence pursuant to Article 6, paragraph 2, letter a), European Regulation 537/2014.

Transactions, events and significant events of particular importance.

The most significant transactions that took place in the 2021 financial year are largely linked to the project for the listing of the Company's shares, then finalized in the first months of the 2022 financial year, in particular:

- the transformation of the Company from a s.r.l. into a S.p.A. and the simultaneous appointment of the Board of Statutory Auditors, in accordance with the shareholders' meeting of 7 October 2021;
- the assignment of the auditing firm BDO Italia spa for the financial years from 2021 to 2029; the resignation of the sole director and the appointment of a board of directors consisting of three members; the integration of the administrative body with the appointment of two additional members subject to the listing of the Company's shares; the examination and approval of the project for the admission to listing of the company's shares on the electronic market, all by the shareholders' meeting held on 13 October 2021;
- the approval of the business plan for the financial years 2021-2024; the appointment of the position of investor relator for the management of relations with shareholders and the position of information referent (as well as the substitute referent) in relations with Borsa Italiana, compliance with the principles contained in the Corporate Governance Code, with effect conditional on the beginning of trading on the MTA; the examination and approval of the Report containing the comparison of the Company's corporate governance system with the recommendations proposed by the Corporate Governance Code of Listed Companies; the appointment of the board committees (Remuneration and Appointments, Control and Risks and Transactions with related parties), with subordinate effect at the beginning of negotiations on the MTA; the establishment of the internal audit function with conditional effectiveness at the beginning of negotiations on the MTA; the appointment of the manager in charge of preparing

the accounting documents pursuant to Article 154-bis of the TUF, with effect conditional on the beginning of negotiations on the MTA, all by the Board of Directors meeting on 13 October 2021;

- the reapproval – with shareholders' meeting of 3 November 2021 – of the financial statements for the year ended 31/12/2020, in order to incorporate the reclassification among the short-term liabilities of the debt relating to the bond loan of the company, pending the cancellation of the covenant on the loan itself, which then took place by the shareholders' meeting of bondholders and the Board of Directors held on 24 November 2021;
- the integration of the members of the administrative body through the appointment of two additional directors, bringing the total number to seven members – with subordinate effectiveness at the beginning of trading of the Company's shares on the electronic stock market – by the shareholders' meeting on 21 December 2021.

With reference to the main events following the end of the 2021 financial year, the following should be noted:

- the adoption of a new text of the Articles of Association – always subject to the beginning of trading of the Company's shares; the splitting of the company's shares and the capital increase with the exclusion of the option right to service the operation of admission of shares to trading on Euronext Milan, all by the shareholders' meeting of the January 13, 2022;
- the start of trading of Civitanavi Systems SpA shares on the Euronext Milan regulated market, which took place on 17 February 2022.

Irregularities, reprehensible facts, complaints pursuant to art. 2408 of the Italian Civil Code, atypical and/or unusual operations

Following the supervision and control activities carried out during the year, the Board of Statutory Auditors may certify that:

- in the course of the activity carried out, no omissions, irregularities or reprehensible or otherwise significant facts have emerged such as to require their reporting to the control bodies or mention in this Report;
- no complaints have been received by the Board of Statutory Auditors pursuant to art. 2408 of the Italian Civil Code, nor exposed by third parties;
- no transactions have been identified with third parties, or intra-group and / or related parties such as to highlight profiles of atypicality or unusualness, for content, nature, size and temporal location.

Intra-group or related party transactions

With regard to transactions carried out within the Group and with related parties, identified on the basis of the criteria defined by IAS 24, the Directors provided in the explanatory notes to the financial statements – and recalled in the annual report – specific and timely information, pointing out in particular that the Company has maintained, under normal market conditions, relations with the parent company, with the directors of the company and with companies and natural persons connected to them.

With regard to these transactions, the Directors, in the explanatory notes to the financial statements, indicated the characteristics of commercial and financial relationships.

The Board, in the context of its activity and the checks carried out, considers that the amounts are adequate and that the transactions carried out respond to the interest of the Company.

Further supervisory activities in relation to the financial statements

The draft financial statements of Civitanavi Systems SpA, approved by the Board of Directors on 24 March 2022, were delivered to the Board of Statutory Auditors, which previously declared that it waived the terms referred to in Article 154 ter of the Italian TUF.

With specific regard to the examination of the financial statements for the year ended 31 December 2021 and the directors' report on operations, the following refers:

- the Board of Statutory Auditors has ascertained, through direct checks and information obtained from the auditing firm, compliance with the rules relating to the structure concerning the preparation of the financial statements and the report on the management accompanying the same;
- the financial statements are accompanied by the directors' management report summarizing the main risks and uncertainties and giving an account of the foreseeable development of operations. It complies with the rules in force and is consistent with the deliberations of the administrative body and with the results of the budget. It also contains adequate information on the activities of the year, on intra-group transactions – if not present – and on the possible impacts on business objectives and risks deriving from the pandemic;
- the information on transactions with related parties, identified on the basis of the criteria defined by IAS 24, was provided in the Explanatory Notes to the Financial Statements and referred to in the Annual Report;
- the financial statements are responsible for the facts and information of which the Board of Statutory Auditors has become aware in the exercise of its supervisory duties and its powers of control and inspection;
- as far as the Board of Statutory Auditors is aware, in preparing the financial statements, the Directors have not derogated from the provisions of the law pursuant to Article 2423, paragraph 5, of the Civil Code;
- the supervisory and control activities carried out by the Board of Statutory Auditors, as described above, did not reveal significant facts to be mentioned in this report or to be reported to the supervisory and control bodies;
- pursuant to the provisions of art. 123-ter of Legislative Decree 58/1998 (T.U.F.), the Remuneration Report is presented to the Shareholders' Meeting, of which the Board of Statutory Auditors - in a joint meeting with the Remuneration Committee - examined and shared the approach followed in the preparation;
- the net result ascertained by the Directors for the year ended at 31 December 2021, as is also

evident from the reading of the financial statements, shows a profit for the year equal to Euro 4.878.619;

With regard to corporate governance and the procedures for the concrete implementation of corporate governance rules, the Board acknowledges that the Company has formally adhered, with effect from the date of the start of trading of its shares on the Euronext Milan market, to the Corporate Governance Code of Italian listed companies; at its meeting on 24 March 2022, the Board of Directors approved the Report on Corporate Governance and Ownership Structure in accordance with Article 123-bis of Legislative Decree n. 58/1998, art. 89-bis of Consob Regulation 11971/1999 and in the light of the recommendations of the Corporate Governance Code of Borsa Italiana. This Report also takes into account the "Format for the report on corporate governance and ownership structure" (IX Edition January 2022) of Borsa Italiana S.p.A. The Report on Corporate Governance was sent to the Board of Statutory Auditors - in order to allow the checks required by Article 149 of the Italian TUF - and to the Independent Auditors for the activities provided for in Article 123-bis of the Italian TUF. The Board of Statutory Auditors, having examined the Report, did not detect any critical elements.

Alternative performance indicators

In order to monitor the Company's performance, the Management Report contains, among other things, the Alternative Indicators of Equity and Financial Performance which, although not a substitute for the information provided by the Company's financial statements, show a solid and satisfactory liquidity balance sheet and financial position of the Company.

Claims

It is acknowledged that the Chief Executive Officer and the Manager in charge of preparing the company's accounting documents have issued the certificate provided for by art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions containing the declaration of adequacy in relation to the characteristics of the company and of the effective application of administrative and accounting procedures for the preparation of the financial statements.

It should be noted, as reported in the aforementioned attestations, *i)* that the financial statements as at 31 December 2021 are prepared in accordance with the applicable international accounting standards recognized by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, *ii)* that the same corresponds to the results of the books and accounting records and iii) that is capable of providing a true and fair representation of the issuer's assets, liabilities, economic and financial position. It shall also be attested that the annual report shall include a reliable analysis of the performance and operating surplus, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Proposal to the Shareholders' Meeting

Based on the foregoing summary of the supervisory activity carried out during the year, also taking into account what highlighted in the report of the Independent Auditors, the Board of Statutory Auditors has no comments to make regarding what is within its competence with regard to the Company's financial statements and the related management report, nor on the proposal of the

Board of Directors to the Shareholders' Meeting on the destination of the profit for the year, as far as five percent to the legal reserve and for the remaining part to the extraordinary reserve.

Pedaso, April 7, 2022

THE BOARD OF STATUTORY AUDITORS

President	Marco Donadio
Statutory Auditor	Eleonora Mori
Statutory Auditor	Cesare Tomassetti

Opinion of Independent Auditors

CIVITANAVI SYSTEMS S.p.A.

Independent auditor's report pursuant
to article 14 of Legislative Decree
n. 39, dated January 27, 2010 and
article 10 of EU Regulation
n. 537/2014

Financial statements at December 31, 2021

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

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Corte Isolani, 1
40125 Bologna

Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of
Civitanavi Systems S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of Civitanavi Systems S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2021, the income statement, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree No. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	Audit response

VALUATION OF ASSETS FOR WORK IN PROGRESS ON ORDER
 	
As at December 31, 2021 the financial statements of financial position include Assets for work in progress on order for euro 17.284 thousand, Advance payments on assets for work in progress for euro 14.565 thousand and Operating revenues for euro 24.998 thousand, of which euro 4.874 thousand from changes in Assets for work in progress on order.
 	
Assets for work in progress on order are recognized using the percentage of completion method for measuring progress.
 	
The application of this method requires the prior estimate of the entire life costs and revenues of the projects and their updating at each balance sheet date, through the use of assumptions by the Management. These assumptions can be affected by many factors such as, for example, the time span of several financial years over which the projects are developed, the high technological level and the innovative content of the same, the performance guarantees upon completion of the project. These facts and circumstances make it difficult to estimate the costs to complete the projects and, consequently, to estimate the value of assets for work in progress on order at the balance sheet date.
 	
In consideration of the significance of the Assets for work in progress on order compared to the total assets of the Company and the complexity of the assumptions used in estimating the costs to complete of the contracts, we considered the valuation of the Assets for work in progress on order a key audit matter of the audit review of the financial statements of the Company as December 31, 2021.
 	
Information regarding the Assets for work in progress on order is provided in the notes to the financial statements “6.8 Assets for work in progress on order / Advance payments on assets for work in progress”, “7.1 Operating revenues” and General drafting principles.
	Our audit procedures in response to the key audit matter identified included the following:
	
	▪ interviews with Management;
	▪ understanding of the criteria and procedures adopted by the Management for determining the percentage of completion of projects;
	▪ understanding of controls relating to both initial estimates and subsequent periodic updates of revenues and costs at completion and to complete of projects;
	▪ for a sample of ongoing contracts:
	    ○ analysis of contracts with clients in order to verify that the relevant contractual aspects have been adequately considered in the assessments made by the Management;
	    ○ analysis of the reasonableness of the assumptions underlying the estimates of total contract revenues and costs through discussion with the project controller;
	    ○ analysis of the most significant discrepancies between the previous year contract budgets and the current year actual figure and discussing the findings with the project controller;
	    ○ analysis of the project costs already incurred;
	▪ assessing the appropriateness of the disclosures provided in the annual financial report about Assets for work in progress on order.

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree No. 38/05 and, within the terms provide by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also have:

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

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

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

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

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the shareholders meeting of Civitanavi Systems S.p.A. on October 13, 2021 to perform the audits of the financial statements of each fiscal year starting from December 31, 2021 to December 31,2029.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Reports on other legal and regulatory requirements

Opinion on the compliance to the requirements of Delegated Regulation (EU) 2019/815

The Directors of Civitanavi Systems S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF – European Single Electronic Format) (hereinafter the “Delegated Regulation”) to the financial statements, to be included in the Annual financial report.

We have performed the procedures required under audit standard (SA Italia) no. 700B in order to express an opinion on the compliance of the financial statements to the requirements of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in compliance to the requirements of Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, (e), of Legislative Decree n. 39/10 and of article 123-bis paragraph 4 of Legislative Decree n. 58/98.

The Directors of Civitanavi Systems S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Civitanavi Systems S.p.A. as at December 31, 2021, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the financial statements of Civitanavi Systems S.p.A. as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of Civitanavi Systems S.p.A. as at December 31, 2021 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, (e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, April 7, 2022

BDO Italia S.p.A.
Signed by
Gianmarco Collico
Partner