

Civitanavi Systems S.p.A.

Interim Report Operating Revenues as of 31 March 2022





This is an English translation of the original Italian document. In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails.

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

Investor Relations: Letizia Galletti

***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, unless expressly stated.
Percentage ratios, margins and variations, have been calculated referring to punctual euro values.



This is an English translation of the original Italian document. In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails.



Introduction

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 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).

In 2020, Civitanavi incorporated a company in London, mainly dedicated to sales activities; the London branch is not yet operative in 2021.

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.

Listing Euronext Milan International

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 – enlarged 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 27.42% 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.

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 grants 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.



This is an English translation of the original Italian document. In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails.

Operating revenues

At 31 March 2022, operating revenues amount to EUR 6,198 thousand, increased by EUR 917 thousand (+17%) compared to the same previous period. This report has been prepared in compliance with the EU-IFRS.

<i>(In Eur)</i>	31.03.2022	31.03.2021	Changes %
Operating revenues	6,198	5,281	+17%

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

<i>(In Eur)</i>	31.03.2022	31.03.2021	Changes %
Revenues from product sales	3,178	2,821	+13%
Revenues from services	241	285	-15%
Revenues from royalties	273	7	+3,797%
Changes in Assets for work in progress on order	1,856	1,104	+68%
Total Operating revenues net of the change in inventories	5,547	4,217	+32%
Change in FP and SFP inventories	650	1,064	-39%
Total Operating revenues	6,198	5,281	+17%

Operating revenues net of the change in inventories of finished and semi-finished products increased by 32% in the first quarter of 2022 compared to the same period of 2021, while there is an increase of semi-finished products and finished products lower than that of the previous period, equal to 39%, thus showing operating revenues at 31 March 2022 up 17% compared to the same period of the previous year.

The results achieved confirm a solid and stable growth, strengthening our position in the field of inertial stabilization and navigation systems globally. The increase in operating revenues compared to the same period of 2021 allow us to confirm what was indicated to the market during the IPO process.

Please note that the company is subject to seasonality phenomena mainly with reference to the component generated by sales in the industrial sector (mining destination) that traditionally records peaks in the last two quarters of each year.

In addition, please note that a sales agreement (amounting to approximately USD 1.5 million) signed in 2021, the execution of which was planned in the first quarter of 2022, was delayed due to issuing of the export license; the relative shipment of the good was carried out in April 2022 and therefore not included in the operating revenues as of 31 March 2022.

With reference to the division in which the Company operates, the table below shows the figures achieved in the first quarter 2022 compared to the previous period.

<i>in EUR thousands</i>	31 March 2022	% of the 2022 total	31 March 2021	% of the 2021 total	Change %
Aeronautics	790	14%	527	12%	+50%
Land defence	546	10%	283	7%	+93%
Space	747	39%	648	15%	+15%
Other (Naval, Submarine, Guidance)	2,137	14%	868	21%	+146%
Total Aerospace and Defence	4,220	77%	2,326	55%	+81%
Industrial	1,178	20%	1,851	44%	-36%
Other	149	3%	40	1%	+270%
Total Operating revenues net of the change in FP/SFP inventories	5,547	100%	4,217	100%	+31%
Change in FP and SFP inventories	650		1,064		-39%
Total Operating revenues	6,198		5,281		+17%

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 division.



This is an English translation of the original Italian document. In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails.

Civitanavi confirms its growth path in all core sectors of its business, including the Industrial division which shows a temporary decrease attributable to the import and re-export rules of the reference customer country, that will be resolved within the half of the current year recovering such bending in the course of 2022.

With reference to the geographical area, the table below shows the figures achieved in the first quarter compared to the previous period.

<i>in EUR thousands</i>	31 March 2022	% of the 2022 total	31 March 2021	% of the 2021 total	Change %
Italy	325	6%	627	15%	-48%
EMEA (except Italy)	3,956	71%	1,681	40%	+135%
APAC	905	16%	1,644	39%	-45%
USA	361	7%	265	6%	+36%
Rest of the World	0	0%	0	0%	0%
Total Operating revenues net of the change in inventories	5,547	100%	4,217	100%	+32%
Change in FP and SFP inventories	650		1,064		-39%
Total Operating revenues	6,198		5,281		+17%

The company guarantees its presence in the main international markets with an adequate geographical diversification of the customer portfolio.

In Italy, revenues amounted to EUR 325 thousand at 31 March 2022, down 48% compared to EUR 627 thousand in the same period of 2021, mainly due to the non-linear dynamics of orders.

In the EMEA area (excluding Italy), revenues amounted to EUR 3,956 thousand at 31 March 2022, compared to EUR 1,681 thousand in the same period of 2021, with significant growth mainly related to an important contract in the Aerospace and Defense sector signed during 2022 (see the Booking section) that will see the EMEA area grow compared to the others.

With reference to the APAC area, revenues amounted to EUR 905 thousand at 31 March 2022 compared to EUR 1,644 thousand in the same period of 2021. In particular, the decrease is imputable to the Industrial division, for the reasons stated above.

The US market recorded operating revenues for EUR 361 thousand +36% compared to EUR 265 thousand in the same period of 2021.

Please note that the Company does not entertain trade relations of any kind with the Russian Federation, Belarus and Ukraine.

Booking 2022 - orders received

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 last years from 2018 to 2021, the Company's Booking amounted to EUR 13.9 million, EUR 13.5 million, EUR 18.1 million and EUR 29.8 million respectively; the latter represented 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.

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

At the date of this document, 29 April 2022, orders received during 2022 amount to EUR 11,896 thousand.



This is an English translation of the original Italian document. In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails.



The significant amount of orders received to date is mainly attributable to the signing of a commercial sales contract with a customer, international player of the EMEA market, for an amount equal to US dollars 11,223 thousand (approximately EUR 9,069 thousand at the figurative exchange rate 1.24). The execution of the contract is expected in the current year until 2025. The same contract also includes a framework agreement to manage commercial relations after 2025 until 2035 on the basis of the agreements that will subsequently be negotiated between the parties.

The agreement will contribute to the growth of the company, consolidating the presence in the aerospace and defense sector where the Company is already active with the main reference operators both Italian and international. The choice of the solutions Civitanavi confirms, once again, the strategy of the products and the potential of increase of a field in full evolution. This agreement well represents the increasing presence and appreciation of Civitanavi in an extremely dynamic, competitive and challenging market.

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.

Pedaso, 29 April 2022

Dichiarazione del Dirigente Preposto alla Redazione dei Documenti Contabili Societari

Letizia Galletti, as Manager in Charge of preparing the corporate accounting documents, declares pursuant to and to the effects of article 154 bis, paragraph 2 of Legislative Decree no. 58 of 1998 that the disclosures included in this release correspond to the balances on the books of account and the accounting records and entries.

The figures included in this report are not subject to audit. This document may contain forward looking statements which reflect Management's current views and estimates. The forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.