

Civitanavi Systems S.p.A.

**Half-Year Financial Report
as at 30 June 2022**





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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	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

Supervisory Body Antonio Francesco Morone**

*Independent director pursuant to art. 148, paragraph 3 of the (It.) Consolidated Law on Finance [TUF], as cited in Art. 147-ter, paragraph 4 of the TUF and pursuant to the Corporate Governance Code.

**On 4 July 2022, the Board of Directors appointed the Supervisory Body that will remain in office until the approval of the financial statements as at 31 December 2023.

Methodological note

In this Interim Directors' Report on Operations and in the Condensed Half-Year Financial Statements, accompanied by the related Explanatory Notes, the values are expressed in millions and/or Eur thousands and/or to the exact Eur amount. Percentages, margins, and changes are calculated with reference to values expressed in the exact Eur amount.



Interim Directors' Report on Operations

The Interim Directors' Report on Operations intends to provide disclosure on the Company's situation and on the performance of the Company as a whole and that of the various divisions in which it operates, also through subsidiaries.

Company performance and analysis of the results for the first half of 2022

The Company, incorporated in 2012, 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*) divisions, as well as the provision of consultancy services to undertakings in the same divisions.

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*), possibly also integrated with other satellite navigation devices (GPS, air speed data, odometers).

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.

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.

During 2022, the Company launched the process pertaining to the operations of the subsidiary Civitanavi UK LTD under United Kingdom law (please note that, in 2021, the subsidiary was not operative), a Company that is mainly dedicated to commercial activity with the future goal of extending production.

Key Highlights

<i>in Eur thousands</i>	As at 30 June 2022	As at 30 June 2021	Delta	Delta %
Operating Revenues	13,404	9,968	3,436	34%
Total Revenues	13,559	10,014	3,545	35%
EBITDA Adjusted	3,977	1,782	2,195	123%
EBITDA Adjusted Margin	29%	18%	-	11.5%
EBITDA	3,325	1,782	1,543	87%
EBITDA Margin	25%	18%	-	7%
EBIT Adjusted	3,519	1,234	2,285	185%
EBIT Adjusted margin	26%	12%	-	14%
EBIT	2,867	1,234	1,632	132%
EBIT Margin	21%	12%	-	9%
Net PROFIT for the period	2,034	894	1,140	128%

<i>in Eur thousands</i>	As at 30 June 2022	As at 31 December 2021	Delta	Delta %
Net Trade Working Capital	9,443	14,563	(5,120)	(35%)
Net Debt	24,740	(2,853)	27,593	(967%)

For the definition of the indicators, please refer to the paragraph "Alternative Performance Measures (APM)" of the Interim Directors' Report on Operations.

The results for the first half of 2022 confirm the strong and steady growth trend that characterizes the Company, going from Eur 10,014 thousand of Total Revenue as at 30 June 2021 to Eur 13,559 thousand as at 30 June 2022, with a growth of 35%.



The significant increase in Revenues is mainly due to the solid and stable growth of the activities, and the strengthening of our position in the field of inertial stabilization and navigation systems globally.

The EBITDA Adjusted of Eur 3,977 thousand (+123% compared to the first six months of 2021) confirms the double-digit growth of the main profitability indicators that was expected for 2022, despite the general situation of uncertainty. The excellent result achieved in the first half of 2022 is supported by the significant increase in business volume and at the same time by the ability of the Company to contain operating costs that grew less than proportionally compared to total revenue growth in the period.

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 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. Similarly to the previous periods, the Condensed half-year financial statements closed positively, increasing the Company's turnover and market share.

The results obtained confirm solid and stable growth, reinforcing our position in the inertial stabilisation and navigation systems sector at global level. The expectations met by the main economic indicators compared to the same period of 2021 allow us to confirm the profitability expectations for the current year based on the information available to date, although it is necessary to take into account the current situation of general uncertainty and the increases in the electronic and energy market

The positive trend is supported by ongoing investments for the expansion of the production capacity, aiming to consolidate the relations with international players of a very high strategic importance, as well as by solid results, in terms of order growth, increase in profitability and strengthening of cash performance, in line with the objectives set.

Moreover, please note that our procurement chain, planning, and production base have so far provided exceptional support to our services, meeting expectations in terms of margins, notwithstanding the significant pressure on procurement chains. With regard to this latter point - i.e. 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.

We continue to work intensively to guide growth with a view to creating value for our customers through the continuous innovation and the entrepreneurial spirit that have always characterised Civitanavi.

Among the main initiatives undertaken during the semester are the commercial sales contract with an international player in the EMEA area active in the aerospace and defence sector, for a total amount of 11.2 million US dollars, please refer to the "Booking" section of this Interim Directors' Report on Operations.

In favour of continuity of information, please note that the Company, in an agreement with a leading Aerospace & Defence sector customer, signed in previous years, deemed that the sale of a significant number of KITs, essentially at cost price, was of strategic importance. This agreement has penalized the annual margins, but, at the same time, strengthens a trade relationship with an international player of very high potential for growth and, in addition, represents an important opportunity for additional profitability in 2022 also in terms of Royalties. As at 30 June 2022, the impact in terms of profitability in absolute value of such KIT sales is in line with what was recorded in the same period of the previous financial year.

With reference to the activity divisions in which the Company operates, the table below shows the figures achieved in the first half of 2022 compared to the first half of the previous year.

<i>in Eur thousands</i>	As at 30 June 2022	% of total June 2022	As at 30 June 2021	% of total June 2021
Aeronautics	3,286	27%	1,067	13%
Land defence	794	7%	544	7%
Space	1,904	15%	1,149	14%
Other (Naval, Submarine, Guidance)	3,139	25%	1,388	17%
Total Aerospace and Defence	9,123	74%	4,148	51%
Industrial	2,814	23%	3,805	48%
Other	422	3%	78	1%
Total Operating revenues net of the change in FP/SFP inventories	12,359	100%	8,031	100%
Change in inventories of finished and semi-finished Products	1,046		1,937	
Total Operating revenues	13,404		9,968	

The Company reported a solid performance in all business divisions, confirming a significant portion of the Aerospace and Defence sector and, at the same time, a constant presence in the Industrial division. Civitanavi confirms its growth in all core sectors of its business, including the industrial divisions that shows a temporary decrease attributable to import and re-export



rules in the Country of the customers of reference, which will be resolved in the current year.

With reference to the geographic area, the table below shows the figures achieved in 30 June 2022 compared to the same period of the previous financial year.

<i>in Eur thousands</i>	As at 30 June 2022	% of total June 2022	As at 30 June 2021	% of total June 2021
APAC	2,287	19%	3,451	43%
EMEA (except Italy)	8,096	65%	2,944	37%
Italy	1,211	10%	1,079	13%
USA	764	6%	556	7%
Rest of the World	-	0%	-	0%
Total Operating revenues net of the change in inventories	12,359	100%	8,031	100%
Change in inventories of finished and semi-finished Products	1,046		1,937	
Total Operating revenues	13,404		9,968	

The operating revenues of Eur 13,404 thousand for the period closed on 30 June 2022 increased by 34% compared to 30 June 2021, guaranteeing the diversification of the customer portfolio by geographic area. The EMEA area recorded a significant increase thanks to the recently stipulated contract that is described in the following paragraph: “booking”; while the decrease of the APAC market is attributable to the Industrial divisions, as mentioned earlier.

Please note that the Company has no commercial relationship with the Russian Federation and Ukraine. For more details see paragraph 11 "Russia-Ukraine Conflict" of the explanatory notes.

Significant Events in the Half-Year

Euronext Milan listing

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 granted by the Selling Shareholder Civitanavi Systems Ltd. was exercised for 674,500 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 total amount of the Institutional Placement amounts to approximately Eur 33.7 million.

The free float amounts to 27.42% of the share capital of Civitanavi and the Company’s capitalisation, calculated on the Offer Price at the start date of the negotiations, amounts to approximately Eur 123 million.

The net revenue collected by the Company in relation to the Capital Increase, net of the commissions paid to the Joint Global Coordinators and to the Sponsor, amounts to Eur 22 million.

Significant Events after the end of the year

There are no significant events after the end of the period. Below please find a summary of events of interest that happened in the meantime:

Honeywell, Civitanavi Systems to develop new inertial measurement units for aerospace customers

In July 2022, Civitanavi Systems and Honeywell announced a collaboration to develop inertial measurement units, attitude heading reference systems and inertial navigation systems for commercial and defence customers (dual-use). The HG2800 high-performance, tactical-grade inertial measurement unit (IMU) will be the first product launched under this collaboration, and it will be used on a wide range of commercial and military aircraft, among other applications. The HG2800 IMU includes fibre-optic gyroscopes (FOG) and micro-electromechanical system (MEMS) accelerometers designed for improved pointing, stabilization and short-duration navigation at low power and low noise.

Civitanavi Systems received European Defence Funds to demonstrate a Quantum-based simultaneous Inertial Navigation and Vector Gravimetric System (Q-SING)



In August 2022, Civitanavi Systems S.p.A. joins the European Defence Fund research team to demonstrate a Quantum Vector Inertial and Gravimetric Navigation System (Q-SiNG).

The European Defence Fund has selected 61 research and development projects in the Aerospace and Defence sector which will be benefitting from Eur 1.2 billion of financial support provided by the European Union. The funds earmarked for Civitanavi amount to Eur 900 thousand. The grant is aimed at all high-level projects in the defence sector, such as the design of future generation combat aircraft, tanks and ships, as well as critical defence technologies such as military cloud, artificial intelligence, semiconductors, space, cyber or medical countermeasures. The programme promotes the most disruptive technologies, in particular quantum technologies and new materials, and harnesses the innovative capacity of SMEs and start-ups with high growth potential.

In the context of the programme, the Company joined the Q-SiNG, “Quantum-based Simultaneous inertial Navigator and vector Gravimeter” programme, which aims to demonstrate a high-precision free-inertial navigation system capable of operating in GNSS-denied areas (areas where satellite signals are compromised) on all types of military vehicles, from submarines to aircraft.

Adoption of Organisation Model 231/2001 and appointment of the Supervisory Body

In July 2022, the Company approved the adoption of the “Organisation, Management and Control Model” drafted pursuant to (It.) Legislative Decree no. 231/2001, in its general and special part (in brief, the “231 Model”), and the update of the Code of Ethics. In compliance with the provisions of the 231 Model, the Management Body of Civitanavi Systems S.p.A. also appointed the Supervisory Body in the person of the lawyer and criminal law PhD Antonio Francesco Morone, for a period that corresponds to the duration of the Board of Directors term in office, with the task of supervising the proper implementation, effectiveness of, and compliance with the 231 Model inside the Company, as well as handling its update. The approval of the 231 Model and the Code of Ethics enables the Company to strengthen its internal control and governance system for the protection of all stakeholders.

Civitanavi Systems signs a MoU with Ierom Ltd to strengthen its offering in the sector of urban air mobility

In August 2022, the Company signed a Memorandum of Understanding with IEROM LTD, a company specialized in urban air mobility headquartered in London.

IEROM LTD, is an innovative start-up that holds a deep expertise in the production of urban air mobility, in particular electric helicopters. The company has recently agreed a consultancy service contract with Professor Barry Evans of the University of Surrey, to gather how to improve its anticollision proprietary systems connectivity by adding a satellite connection to the 4G/5G assessing satellite tools developed by the most recognized industries such as Atmosphere, TTP, Skytrack, BSN which connect with large corporations as Iridium and Inmarsat LEO and GEO satellite network. The purpose of the agreement is to explore the possibility to integrate its anticollision systems into Civitanavi’s more advanced navigation systems to offer a wider spectrum of services in national and international sectors of the aerospace and defense industry, such as avionics, urban air mobility, spacecrafts and hydrographic and geological exploration.

Foreseeable evolution of business performance, “Booking” and “Hard Backlog”

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. Profitability is confirmed at high as a result of the initiatives for the optimisation of industrial processes and the improvement of the main products’ competitiveness, 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 and Ukraine, the Company confirms that it has no commercial relationship with these States and no new relations are foreseen in 2022. The Company confirms that, also in 2022, its Operating revenue by Country will be highly diversified.

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/period, regardless of whether such orders were fulfilled or not during that same financial year (a phenomenon known as “Booking”).

In the past years 2018-2021, the Company’s Booking increased significantly and, in 2021, represented a record in terms of orders acquired during a single year.

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

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

As at 30 June 2022, Booking amounts to Eur 14,328 thousand.

As of the date of this document, 23 September 2022, the orders received during 2022 amount to Eur 26.4 million.

The considerable amount of orders acquired in the first six months is attributable mainly to the stipulation of a commercial sale contract with an EMEA market international player, for an amount of USD 11,223 thousand (approximately Eur 9,547 thousand). The performance of the contract is planned in the current year and until 2025. The same contract also envisages a framework agreement to regulate trade relationships after 2025 until 2035 based on the agreements that will be subsequently negotiated between the parties.

The agreement will contribute to the Company’s growth path, consolidating its presence in the aerospace and defence sector, where it is

already active with the main Italian and international operators of reference.

Opting for Civitanavi solutions confirms, once more, the strategic importance of its products and the potential for growth in an ever-evolving sector. This agreement is a perfect representation of the growing presence of and appreciation for Civitanavi in an extremely dynamic, competitive, and challenging market.

Hard Backlog

Definition:

- **Hard Backlog:** 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.

On 30 June 2022, the counter value of the “Hard Backlog”, i.e. 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 20.08 million (Eur 18.6 million as at 31 December 2021). This Backlog mainly refers to the “Aerospace and Defence” divisions, as the “Industrial” divisions has a short *lead time* and the orders are concluded, on average, within three months from their execution.

Seasonality of the business of reference - Financial flows related to the business activity

The business divisions in which the Company mainly operates are usually characterised by a marked concentration of deliveries in the last months of the financial year and by the related flows of collections from customers in the first part of the following year. This aspect of collections has an effect on the variability of the cash flows at year end, characterised by substantial improvements in the interim closing dates, a symptom of the return to the normal trend.

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 period ended 30 June 2022 compared to 30 June 2021 (economic data) and with 31 December 2021 (equity and financial data).

Analysis of the reclassified economic data

<i>in Eur thousands and as a percentage of Total Revenues</i>	As at 30 June 2022	%	As at 30 June 2021	%
Operating revenues	13,404	99%	9,968	100%
Other revenues and income	155	1%	45	0%
Total revenues	13,559	100%	10,014	100%
Raw material costs and change in inventories	4,846	36%	4,145	41%



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.

Services costs	2,704	20%	1,775	18%
Personnel cost	2,586	19%	2,229	22%
Other operating costs	98	1%	82	1%
Total operating costs	10,234	75%	8,231	82%
Operating Result before amortisation and depreciation and write-downs (EBITDA)	3,325	25%	1,782	18%

Write-downs of net financial assets	20	0%	16	0%
Amortisation and depreciation and write-downs	438	3%	532	5%
Operating profit (EBIT)	2,867	21%	1,234	12%

Financial income	220	2%	48	0%
Financial expenses	(240)	(2%)	(109)	(1%)
Profit (Loss) before tax	2,846	21%	1,173	12%

Income taxes	(813)	(6%)	(279)	(3%)
PROFIT / (LOSS) FOR THE PERIOD (A)	2,034	15%	894	9%

Other Profits/(Losses) in the Comprehensive Income Statement net of the tax effect	2,034	15%	894	9%
Profits/(Losses) from re-measurement of liabilities for defined benefit schemes for employees	169	1%	21	0%
Cash flow Hedges	(117)	(1%)	13	0%
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD (A) + (B)	2,085	15%	928	9%

The operational management economic results for the period ended 30 June 2022 are as follows: total revenues of Eur 13,559 thousand (Eur 10,014 thousand on 30 June 2021); EBITDA of Eur 3,325 thousand (Eur 1,782 thousand on 30 June 2021); EBIT of Eur 2,867 thousand (Eur 1,234 thousand on 30 June 2021).

Analysis of the reclassified equity data

<i>in Eur thousands</i>	As at 30 June 2022	As at 31 December 2021
Trade Receivables	3,863	9,636
Assets for work in progress on order net of Advance payments on Work in Progress	1,322	2,720
Inventories	7,256	5,549
Trade payables	(2,998)	(3,341)
Net trade working capital	9,443	14,563
Other current assets	1,494	3,143
Tax payables	(98)	(672)
Other current liabilities	(2,741)	(2,617)
Net working capital	8,098	14,418
Tangible Assets	2,778	2,052
Right-of-use assets	1,799	1,868
Intangible assets	1,609	931
Investments in subsidiaries and other financial assets	50	50
Other non-current assets	0	0
Deferred tax assets	3,406	2,717
Defined benefit schemes	(758)	(878)
Provisions for risks and charges	0	0
Deferred tax liabilities	(24)	(1)
Net non-current assets	8,860	6,739
Net invested capital	16,958	21,157
Net debt	24,740	(2,853)
Net Equity	(41,698)	(18,303)
Total net equity and net debt	(16,958)	(21,157)

Net non-current assets as at 30 June 2022 are up by Eur 2,121 thousand compared to 31 December 2021. This increase is mainly due to: *i*) the increase in tangible assets for Eur 726 thousand due to the purchase of new machinery and equipment, *ii*) the increase in intangible assets for Eur 678 thousand mainly due to the capitalisation of development costs, *iii*) the increase in prepaid tax assets for Eur 689 thousand mainly relating to the IPO costs registered in net equity.



The balance of the net working capital on 30 June 2022 amounts to Eur 8,098 thousand, down from the closing date of the previous financial year by Eur 6,320 thousand (Eur 14,418 thousand on 31 December 2021); the decrease recorded is mainly attributable to the combined effect of:

- i) the decrease of trade receivables during the first six months of 2022 (down by Eur 5,773 thousand compared to 31 December 2021). For more information, please refer to the paragraph “Seasonality of the business of reference - Financial flows related to the business activity” of the Interim Directors’ Report on Operations;
- ii) the decrease of the Assets for work in progress on order net to advance payments, for Eur 1,398 thousand, related to the increase of progress payments which is more than proportional compared to the related activity carried out. Progress payments from customers are recognised when specific milestones based on the contractually stipulated agreements are reached.
- iii) the increase in warehouse inventories that amount to Eur 1,707 thousand compared to 31 December 2021, mainly attributable to the increase in stocks to deal with production needs;
- iv) the decrease recorded by other current assets of Eur 1,649.

Net Equity as at 30 June 2022 is increased mainly due to the results for the period and the capital increase following the listing on the Euronext Milan market.

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

Analysis of net debt and net financial position

Below please find a detailed analysis of the composition of net financial debt for the first six months of 2022 compared to 31 December 2021.

<i>In Eur thousands</i>	As at 30 June 2022	As at 31 December 2021	Change 2022 vs 2021	
A. Cash	6	2	3	154%
B. Cash equivalents	27,450	1,717	25,733	1499%
C. Other current financial assets	665	1,346	(681)	100%
D. Liquidity (A)+(B)+(C)	28,121	3,065	25,056	817%
E. Current debt (including debt obligations, but excluding the current part of the non-current debt)	(150)	(967)	816	(84%)
F. Current part of non-current debt	(293)	(367)	74	(20%)
G. Current debt (E)+(F)	(443)	(1,334)	890	(67%)
H. Net current debt (G)-(D)	27,677	1,732	25,946	1498%
I. Non-current debt (excluding the current part and debt obligations)	(2,937)	(2,926)	(12)	0%
J. Debt obligations	0	(1,659)	1,659	0%
K. Trade payables and other non-current payables	0	0	0	0%
L. Non-current debt (I)+(J)+(K)	(2,937)	(4,585)	1,647	(36%)
M. Total debt (H)+(L)	24,740	(2,853)	27,593	(967%)

The item “M. Total debt (H+L)” as at 30 June 2022 shows a positive balance of Eur 24,740 thousand compared to the negative balance (debt) of Eur 2,853 thousand as at 31 December 2021, with a change of Eur + 27,593 thousand.

This decrease in debt is mainly due to the combined effect: (i) of the increase in “Cash” of Eur 25,056 thousand thanks to the ability of the Company to generate cash and the collection during the listing at the Euronext Milan market that took place in February 2022 equal to Eur 22 million net of placement fees; (ii) the decrease for Eur 2,537 thousand in “Current and Non-Current Debt” respectively related to the payment of instalments based on the ordinary amortisation plan and the early payment of the Debt Instrument “Unicredit Debenture Loan”. Moreover, please note that no new loans were stipulated in the first six months of 2022. For more detail, please refer to note §6.13 “Financial liabilities (current and non-current)” of the Explanatory Notes to the Condensed Half-Year Financial Statements.

The Company has no loans that require compliance with financial parameters.

Please note that, on 30 June 2022, the Company’s net financial debt, calculated net of the effect of the application of the standard International Financial Reporting Standards (IFRS) 16, is positive for Eur 26,682 thousand (negative for Eur 851 thousand on 31 December 2021).



Reclassified cash flow statement

Below please find the reclassified cash flow statement on 30 June 2022 compared to the same period of the previous financial year.

<i>in Eur thousands</i>	as at 30/06/2022	as at 30/06/2021	change
Profit before tax	2,846	1,173	1,674
Amortisation and depreciation and write-downs	438	532	(93)
Other non-monetary changes	(797)	230	(1,027)
Operating Cash Flow	2,488	1,934	554
Change in inventories	(1,707)	(2,443)	736
Change in trade receivables	5,752	3,337	2,415
Change in Assets for work in progress on order and Advance payments on work in progress	1,398	(466)	1,864
Change in trade payables	(343)	(69)	(275)
Change in other assets and liabilities	389	279	110
Change in Working Capital	5,489	639	4,850
Net (investments) in tangible fixed assets	(1,005)	(125)	(880)
Right-of-use (*)	(14)	(167)	153
Net (investments) in intangible fixed assets	(754)	(307)	(447)
Net change in other non-current liabilities	80	(65)	145
Total non-current assets/liabilities	(1,693)	(665)	(1,028)
Changes in Equity capital	21,309	0	21,309
FREE CASH FLOW	27,593	1,908	25,685
Initial net financial position	(2,853)	(1,268)	(1,586)
Cash flow for the period	27,593	1,908	25,685
Final net financial position	24,740	640	24,099

(*) Recognition of lease contracts pursuant to IFRS 16, 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.

At 30 June 2022, the Company generated cash-flow totalling Euro 27,593 thousand, an increase of Eur 25,685 thousand compared to the same period of the previous year. In the first 6 months of 2022 the Company generated a Free Cash Flow of Euro 6,284 thousand net of the change in equity generated by the IPO compared to Euro 1,908 thousand in the first half of 2021.

The working capital generated a cash flow of Eur 5,489 thousand, up by what was recorded as at 30 June 2021 by Eur 639 thousand, mainly due to a lower absorption of cash by inventories and the generation of cash deriving from the trade receivables and assets for contract work in progress net of the related progress payments.

During the interim period ended 30 June 2022, net investment assets and net change in other non-current liabilities collectively absorbed liquidity amounting to Eur 1,693 thousand, mainly deriving from the purchase of equipment and machinery for the expansion of production at the Pedaso facility, and internal development activities, up compared to the interim period ended 30 June 2021, a period during which there was a total absorption of liquidity amounting to Eur 665 thousand.

During the period closed on 30 June 2022, following the listing in the Euronext Milan stock market, the change in equity capital generated a net cash flow of Eur 21,309 thousand.

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 period closed on 30 June 2022 and to the period ended 30 June 2021.



<i>In Eur thousands, ratios and percentages</i>	As at 30.06.2022	As at 30.06.2021	Change 2022 vs 2021	
EBITDA (1)	3,325	1,782	1,543	86.6%
EBITDA margin (1)	24.5%	17.8%		6.7%
EBITDA Adjusted (2)	3,977	1,782	2,195	123.2%
EBITDA Adjusted margin (2)	29.3%	17.8%		11.5%
EBIT (3)	2,867	1,234	1,632	132.3%
EBIT margin (3)	21.1%	12.3%		8.8%
EBIT Adjusted (4)	3,519	1,234	2,285	185.2%
EBIT Adjusted margin (4)	26.0%	12.3%		13.7%
ROS (5)	21.1%	12.3%		8.8%

The EBITDA Adjusted Margin for the period ended 30 June 2022 equals 29.3% (Eur 3,977 thousand), up compared to 30 June 2021 when it was equal to 17.8% (Eur 1,782 thousand). This increase is essentially to be attributed to the increase in Total Revenue (+35%) and to the savings in operating costs as they increased by less than proportionally to the increase in turnover.

The EBIT Adjusted Margin for the period ended 30 June 2022 equals 26% (Eur 3,519 thousand), up compared to 30 June 2021 when it was equal to 12.3% (Eur 1,234 thousand). This increase is attributable to the growth of the EBITDA Adjusted as well as to the decrease in the amortisation of certain intangible fixed assets as they completed their book useful life at the end of the financial year 2021.

ROS is increased by 8.8% as at 30 June 2022 compared to the first six months of 2021 thanks to the higher profitability of the sales stipulated in the period.

Below please find the main economic indicators of the Company, referring to the period closed 30 June 2022 and to the financial year ended 31 December 2021.

<i>In Eur thousands, ratios and percentages</i>	30.06.2022	31.12.2021	Change 2022 vs 2021	
ROE (6) *	14.4%	26.7%		(12.3%)
ROI (7) *	49.1%	31.6%		17.5%

(*) Economic data used for the calculation of the APM as at 30 June 2022 relating to the 12-month period from 1 July 2021 to 30 June 2022.

Please note that the increase in ROE is attributable to a more than proportional increase in equity compared to the increase in the results for the period, following the capital increase deriving from the listing in the Euronext Milan market which took place on 17 February 2022.

ROI is increased by 17.5% at 30 June 2022 compared to the first six months of 2021, mainly thanks to the increase of the EBIT obtained in the period.

- (1) 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/period, 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/period of reference and is defined as the ratio between the EBITDA and total revenues.
- (2) EBITDA *Adjusted* is calculated as a profit or loss for the financial year/period, 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. Below please find the elements taken into account by the Company when calculating the indicator:
 - as at 30 June 2021, the Company did not have non-recurring items;
 - as at 30 June 2022, the Company took into account recurrent costs amounting to Eur 653 thousand relating to part of the costs incurred for the listing on the Euronext Milan market for Eur 628 thousand (for more details, please see paragraph 6.12 Net Equity of the Explanatory Notes), to social security expenses of previous years for Eur 19 thousand and to other related costs for Eur 6 thousand.
- (3) 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/period of reference.
- (4) EBITDA *Adjusted* is calculated as a profit or loss for the financial year/period, gross of income taxes, revenues and financial expenses, 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. With regard to the non-current items, please see note (2).
- (5) 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.
- (6) 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/period and the net equity.
- (7) 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).

Below please find the main alternative performance measures relating to the equity data for the period ended 30 June 2022 and for the financial year ended 31 December 2021.



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In Eur thousands, ratios and percentages	30.06.2022	31.12.2021	Change 2022 vs 2022	
Net Debt (1)	(24,740)	2,853	(27,593)	(967.1%)
Net Debt / Equity	(0.6)	0.2	(1)	(474.2%)
Net Debt / EBITDA *	(2.7)	(0.4)	(2)	623.3%
Average trade receivable collection days (2) *	49	140	(91)	(64.9%)
Trade receivable turnover indicator (3) *	7.4	2.6	5	184.6%
Average trade payable payment days (4) *	78.6	99.2	(21)	(20.8%)
Trade payable turnover indicator (5) *	4.6	3.7	1	26.2%
Warehouse turnover indicator (6) *	1.3	1.6	(0)	(17.3%)
Net non-current capital (7)	8,860	6,739	2,121	31.5%
Net trade working capital (7)	9,443	14,563	(5,120)	(35.2%)
Net working capital - NWC (7)	8,098	14,418	(6,320)	(43.8%)
Net invested capital - NIC (7)	16,958	21,157	(4,199)	(19.8%)

(*) Economic data used for the calculation of the APM as at 30 June 2022 relating to the 12-month period from 1 July 2021 to 30 June 2022.

The trend of financial debt and net equity is influenced by the collection of funds deriving from the listing in the Euronext Milan market as described in detail previously.

The turnover of receivables and the average collection days are influenced by the seasonality of the business; please see the paragraph “Seasonality of the business of reference - Financial flows related to the business activity” of the Interim Directors’ Report on Operations.

The decrease in the warehouse turnover indicators is attributable to the increase in warehouse stocks to deal with production needs.

- (1) As calculated in the paragraph Analysis of net financial 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 the change in inventories and (ii) 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 period ended 30 June 2022, amounting to Eur 1,006 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.

Investments in intangible assets, amounting to Eur 754 thousand, are mainly related to the development activity carried out during the first six months of 2022 for Eur 697 thousand. Such costs were capitalised in the item “Development Costs” for the amount of Eur 267 thousand in relation to development projects completed in the period and in the item “Intangible fixed assets in progress” for the amount of Eur 430 thousand, as they relate to development projects that are ongoing as of the closing date of this Condensed Half-Year Financial Statements.

Research and development activities

During 2022, the Company continued intensive research and development activities. Below please find the main projects pursued by the Company during 2022:

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.

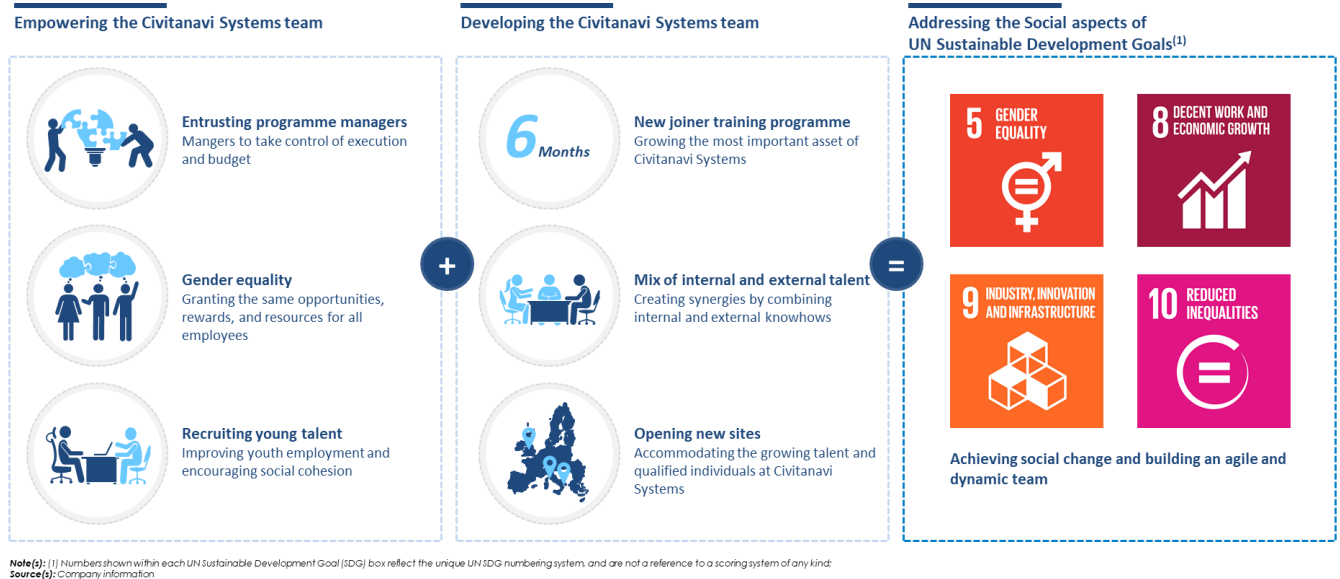
One of the objectives is to create a new family of inertial products that are easier to use, which may be powered by batteries and no longer through power supply cables, with obvious portability and usability advantages on the market, thanks to the fact that



they are lighter and more reliable, and because they lower management costs.

Social, political, and trade union climate

The Work Team is part of the national metalworkers bargaining agreement and the Company offers strong incentives to its members with bonuses, salary raises, and other incentives. The very low turnover of personnel and the ability to attract talent from around the world proves that this policy is effective and must continue.



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.

Credit risk

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 period ended 30 June 2022 and for the financial year closed at 31 December 2021 amounts to Eur 1,818 thousand and Eur 5,521 thousand.

Receivables past due, gross of the provision for write-downs of receivables, for the period ended 30 June 2022 and for the financial year closed at 31 December 2021 amount to Eur 2,201 thousand (56% of the total amount of gross trade receivables) and to Eur 4,251 thousand (44% 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 period ended 30 June 2022 and for the financial year closed at 31 December 2021, amounts to Eur 738 thousand and Eur 620 thousand, respectively.

The amount of receivables past due over 90 days net of the Provision for write-downs of receivables amounts to Eur 582 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 mutual collaboration.

Moreover, please note that the total trade receivables decreased compared to 31 December 2021 by approximately Eur 6,000 thousand in the first six months of 2022, a symptom of the return to the normal operation trend as discussed in the paragraph "Seasonality of the business of reference - Financial flows related to the business activities" of the Interim Directors' Report on Operations.



Liquidity risk

The Company's liquidity situation 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. 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 assesses its exposure to the risk posed by changes in interest rates, implementing actions that aim to deal with and contain the potential negative effects with the use of appropriate policies, and, in general, where deemed necessary, also with the use of suitable hedging 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.

Please note that, in May 2022, on the occasion of the early repayment of the Unicredit Bond Loan, the related Interest Rate Swap derivative was also extinguished. The company is not exposed to the risk of interest rate fluctuation.

Risk related to the trend in exchange rates

The company also carries out its activities in Countries outside what is known as the Euro Area, importing or exporting goods or services usually in Euro. In some limited circumstances, it has signed commercial contracts in a currency other than the Euro. The Company is therefore exposed to the risk of significant fluctuations in exchange rates, specifically what is known as the equity exchange rate risk, that is to say the risk that revenues and costs in currencies other than the Euro may take on other values compared to the time in which the price conditions were laid down. In 2022, the Company stipulated a multi-year contract with a leading Company in the aerospace sector. The contract was stipulated in USD and the Company signed a Forward contract in order to hedge the exchange rate risk. Below please find details relating to the hedging derivative instruments subscribed.

30 June 2022

<i>In thousands</i>	Expiry	Fair value in Eur
Options on foreign currencies	29/12/2023	(117)
Options on foreign currencies	29/12/2025	(63)
Total		(180)

Risks related to the availability and costs of the materials and components required for the performance of the activity

Should it prove difficult to source the raw materials of the necessary components and/or of the semi-finished products or where the Company should find that such raw materials are unavailable, the Company would be exposed to the risk of having to delay or interrupt its production process, with consequent delays of the production processes and delays in the delivery times agreed with the customers. The (even temporary) unavailability of raw materials, components, and semi-finished products required for the purposes of the production cycle or even unforeseeable or unmanageable increases in prices could compromise, even significantly, the Company's ability to respond to the market's demand for its products.

Moreover, the price of raw materials, of the components, and of the semi-finished products which are required for the manufacture of the Company's products, among which in particular electronic components, and raw materials for mechanical processing, is subject to the risk of (even significant) fluctuations, which essentially depend on exogenous factors which the Company cannot control.

In this sense, 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 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.

Please refer to paragraph §11 "Russia-Ukraine conflict" of the explanatory notes for the analysis of risks and impacts arising from the conflict.



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

For the relationships with subsidiaries, associated and parent companies, and affiliate 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 “Transactions with related parties” of the Notes to the Financial Statements.

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



Condensed Half-Year Financial Statements as at 30 June 2022

Condensed Statement of Financial Situation

(In Eur)	Notes	As at 30 June 2022	As at 31 December 2021
ASSETS			
Non-current assets			
Intangible assets	6.1	1,608,981	930,893
Right-of-use assets	6.2	1,799,179	1,867,827
Tangible assets	6.3	2,778,017	2,052,479
Investments in subsidiaries and other financial assets	6.4	50,001	50,001
Deferred tax assets	6.5	3,405,641	2,716,866
Total non-current assets		9,641,819	7,618,066
Current assets			
Inventories	6.6	7,255,732	5,548,519
Trade receivables	6.7	3,863,491	9,635,848
Assets for work in progress on order	6.8	20,667,655	17,284,535
Other receivables and current assets	6.9	1,494,127	3,143,435
Current financial assets	6.10	665,273	1,346,041
Cash and cash equivalent	6.11	27,455,523	1,719,184
Total current assets		61,401,801	38,677,561
TOTAL ASSETS		71,043,620	46,295,627

(In Eur)	Notes	As at 30 June 2022	As at 31 December 2021
Share capital		4,244,000	500,000
Reserves		35,420,204	12,924,792
Net profit		2,033,817	4,878,619
Total Net Equity	6.12	41,698,021	18,303,411
Non-current liabilities			
Non-current financial liabilities	6.13	1,145,805	2,724,701
Non-current lease liabilities	6.2	1,791,669	1,860,075
Deferred tax liabilities	6.5	23,706	1,154
Defined benefit schemes	6.14	758,020	878,173
Provisions for risks and charges	6.15	0	0
Total non-current liabilities		3,719,201	5,464,103
Current liabilities			
Current financial liabilities	6.13	293,022	1,191,659
Current lease liabilities	6.2	150,397	142,002
Trade payables	6.16	2,997,737	3,340,891
Advance payment on assets for work in progress	6.8	19,346,075	14,564,765
Tax payables	6.17	98,244	672,248
Other current payables and liabilities	6.18	2,740,924	2,616,548
Total current liabilities		25,626,398	22,528,113



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TOTAL LIABILITIES AND NET EQUITY		71,043,620	46,295,627
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Condensed Income Statement

<i>(In Eur)</i>	Notes	Period ended on 30 June 2022	Period ended on 30 June 2021
Operating revenues	7.1	13,404,102	9,968,189
Other revenues and income	7.2	154,610	45,353
Total Revenues		13,558,712	10,013,542
Raw material costs and change in inventories	7.3	4,846,019	4,145,290
Personnel costs	7.4	2,585,883	2,229,232
Services costs	7.5	2,704,327	1,774,638
Other operating costs	7.6	97,725	82,174
Write-downs of net financial assets	7.7	19,930	16,384
Amortisation and depreciation and write-downs	7.8	438,189	531,640
Operating profit		2,866,640	1,234,184
Financial income	7.9	219,941	47,981
Financial expenses	7.9	(240,135)	(109,428)
Profit before tax		2,846,446	1,172,738
Income taxes	7.10	(812,629)	(278,815)
Net profit		2,033,817	893,923
Basic earnings per share	7.11	0.07	1.79
Diluted earnings per share	7.11	0.07	1.79

Statement of comprehensive income

<i>(In Eur)</i>	Notes	Period ended on 30 June 2022	Period ended on 30 June 2021
Net profit		2,033,817	893,923
Other comprehensive gains/(losses) that will subsequently be reclassified in the profit/(loss) for the period:			
Profit/(loss) on the effective portion of cash flow hedge instruments	6.13 6.12	(117,014)	13,337
Total other components of the comprehensive income statement		(117,014)	13,337
Other components of the comprehensive income statement that will not be reclassified in the income statement of subsequent financial years			
Actuarial profits (losses) for defined benefit schemes	6.12 6.14	168,580	21,177
Total other components of the comprehensive income statement		168,580	21,177
Comprehensive net profit		2,085,383	928,437



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Statement of changes in equity

(In Eur)	Notes	Share capital	Reserves								Net profit	Total net equity
			Share premium reserve	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)		
As at 1 January 2021		500,000	0	100,000	9,122,002	(45,655)	(32,454)	(73,372)	2,600	(2,047,419)	5,891,315	13,417,018
Net profit											893,923	893,923
Total other components of the comprehensive income statement						13,337		21,177				34,514
<i>Comprehensive net profit</i>						<i>13,337</i>		<i>21,177</i>			893,923	928,437
Allocation of the net profit of the previous year												0
Other movements												0
Dividends distributed												0
As at 30 June 2021		500,000	0	100,000	9,122,002	(32,317)	(32,454)	(52,195)	2,600	(2,047,419)	6,785,238	14,345,455
As at 1 January 2022	6.12	500,000	0	100,000	10,454,616	(19,692)	(32,454)	(91,561)	0	2,513,883	4,878,619	18,303,411
Net profit											2,033,817	2,033,817
Total other components of the comprehensive income statement						(117,014)		168,580				51,566
<i>Comprehensive net profit</i>						<i>(117,014)</i>		<i>168,580</i>			2,033,817	2,085,383
Allocation of the net profit of the previous year				243,931	4,634,688						(4,878,619)	0
Capital Increase		3,744,000	19,296,000									23,040,000
Other movements												0
IPO costs net fiscal effect			(1,730,772)									(1,730,772)
Dividends distributed												0
As at 30 June 2022	6.12	4,244,000	17,565,228	343,931	15,089,303	(136,707)	(32,454)	77,019	0	2,513,883	2,033,817	41,698,020



Cash Flow Statement

<i>in Eur</i>	Notes	As at 30 June 2022	As at 30 June 2021
Net Profit		2,033,817	893,923
- Adjustments for:			
Income tax	7.10	812,629	278,815
Amortisation/depreciation	7.7. - 7.8	438,189	531,641
Capital losses / (capital gains) for disposal	7.2 - 7.6	0	(150)
Financial expenses / (income)	7.9	20,194	61,446
Other non-monetary changes		(817,273)	168,322
Cash flow generated / (absorbed) by operating activities before changes in the net working capital		2,487,556	1,933,997
Change in inventories	6.6	(1,707,213)	(2,443,101)
Change in trade receivables	6.7	5,752,427	3,337,183
Change in Assets for work in progress on order and Advance payments on work in progress	6.8	1,398,188	(465,818)
Change in trade payables	6.16	(343,154)	(68,621)
Change in other assets and liabilities	6.9 - 6.18	1,190,111	583,382
Cash flow generated / (absorbed) by operating activity		8,777,915	2,877,022
Change in provisions for risks and Defined benefit schemes	6.14 - 6.15	(8,851)	(4,121)
Tax paid	7.10	(792,308)	(299,977)
Net cash flow generated / (absorbed) by operating activity (A)		7,976,756	2,572,924
Investments/Disposals in fixed assets	6.3	(1,005,363)	(125,355)
Investments/Disposals in intangible assets	6.1	(754,077)	(307,188)
Net cash flow generated / (absorbed) by investment activity (B)		(1,759,440)	(432,542)
New loans	6.13	0	0
Loans repayment	6.13	(2,477,534)	(597,375)
Payments of capital and share premium reserve	6.12	21,309,228	0
Repayment of lease liabilities	6.2	(73,736)	(69,044)
Financial expenses paid	7.9	(102,243)	(73,408)
Financial income collected	7.9	182,540	8,226
Financial assets	6.10	680,769	(3,011,541)
Net cash flow generated/(absorbed) by financial activity (C)		19,519,023	(3,743,142)
Total change in cash and cash equivalents (A)+(B)+(C)		25,736,339	(1,602,760)
Cash and cash equivalent at the beginning of the period		1,719,184	5,596,905
Total change in cash and cash equivalents		25,736,339	(1,602,759)
Cash and cash equivalents at the end of the period		27,455,523	3,994,146



NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS AS AT 30 JUNE 2022

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 72.6% of the share capital, while the remaining quota of 27.4% is circulating on the stock market (free-float).

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 mainly found that Civitanavi Systems Ltd (i) does not exercise any active influence on the Company’s life, with consequent full autonomy of action by the directors of the latter; (ii) does not draft strategic, industrial, financial plans, commercial and budget policies for the Company; (iii) does not lay down nor does it influence the Company’s commercial or market strategies; (iv) does not exercise actual decision-making powers on the Company; (v) limits the relationship with the Company to the simple exercise of administrative and equity rights deriving from the status of shareholder.

Please note that the Swiss company is not a member of a group and, during the first six months of 2022, there were no transactions between Civitanavi Systems S.p.A. and Civitanavi Systems Ltd. Moreover, please note that the Company does not hold shares or quotas in the parent company, even through trust companies or proxies.

2. Summary of the accounting standards adopted

The half-year financial report as at 30 June 2022 is drafted in compliance with the provisions of Art. 154 ter, para. 2 of (It.) Legislative Decree no. 58/98 - Consolidated Law on Finance (T.U.F.) - as subsequently amended and supplemented. The condensed half-year financial statements as at 30 June 2022, included in the half-year financial report, were drafted in conformity with IAS 34 “Interim Financial Reporting” issued by the International Accounting Standard Board (IASB), and consists of the Condensed Statement of Financial Situation, the condensed Income Statement, the condensed Comprehensive Income Statement, the Cash Flow Statement, and the Statement of Changes in Net Equity, as well as of the related explanatory notes.

Pursuant to International Accounting standard (IAS) 34, the explanatory notes are summarised and do not include all the information required in the annual financial statements. For this reason, the information recorded in the Condensed Half-Year Financial Statements must be read in conjunction with the Financial Statements as at 31 December 2021, drafted based on the IFRS.

Please note that the Company adopts the half-year as interim period of reference for the purposes of applying IAS 34 and drafting the interim financial reporting indicated therein.

Furthermore, please note that the Company does not draft consolidated financial statements, as the subsidiary Civitanavi UK Ltd is not relevant for the purposes of the truthful and correct representation of the Group’s equity, financial situation and economic results, in accordance with (It.) Legislative Decree 127/1991 as subsequently amended.

These condensed half-year financial statements are subject to limited auditing by BDO Italia S.p.A.

3. Recently issued accounting standards

The accounting standards adopted in drafting the condensed half-year financial statements as at 30 June 2022 are consistent with those followed in drafting the financial statements on 31 December 2021, without prejudice to the adoption of new standards in force from 1 January 2022. 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 2022, but did not have a significant impact on the Company’s Interim Financial Statements.



Accounting standards, amendments and IFRS interpretations applied from 1 January 2022

The following amendments to the accounting standards started applying to the Company on 1 January 2022:

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments aim to replace the references to the Framework for the Preparation and Presentation of Financial Statements 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 the International Financial Reporting Interpretations Committee (IFRIC) 21 Levies, if contracted separately. The exception requires that the entity apply the requirements of IAS 37 or IFRIC 21, instead of those of the Conceptual Framework, to determine whether a current obligation exists on the date of acquisition. Moreover, the amendment added a new paragraph to IFRS 3 to clarify that potential assets are not qualified as assets recognisable on the date of acquisition. These amendments did not have an impact on the Company's condensed half-year financial statements, as the Company does not draft the consolidated financial statements and no acquisitions were made.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendments forbid 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. These amendments did not have an impact on the Company's condensed half-year financial statements as there were no sales related to such elements of property, plant and machinery, before they were brought into service before or after the start of the previous comparative period.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

This amendment clarifies which fees an undertaking includes to determine whether the terms and 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. No similar amendment was proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement.

This amendment did not have an impact on the Company's condensed half-year financial statements, as there were no changes to the Company's financial liabilities in the half-year.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract in which the non-discretionary costs (e.g., the costs that the Company cannot avoid as they are part of a contract) required to fulfil the obligations taken on are higher than the economic benefits that it is supposed can be obtained from the contract.

The amendment clarifies that when determining whether a contract is onerous or generates losses, an entity must take into account the costs that directly refer to the contract for the provision of goods or services that include both incremental costs (e.g., the cost of direct labour and materials) and costs directly attributed to the contractual activities (e.g., depreciation of the equipment used for the performance of the contract and the costs for the contract's management and supervision). 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.

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

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. This amendment had no impact on the Company's condensed half-year financial statements, as it is not a first time adopter.

IAS 41 Agriculture – Taxation in fair value measurements

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. This amendment did not have an impact on the Company's condensed half-year financial statements, as the Company does not own assets within the scope of IAS 41 at the date of the financial statements.



4. Estimates and assumptions

There are no changes in relation to the identification of the particularly significant aspects that require pertinent estimates by the management compared to what is mentioned in Note 4 to the 2021 Annual Financial Report, to which reference is made.

5. Management of financial risks

For more details, please see the paragraph “Main risks and uncertainties” of the interim 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 period ended 30 June 2022 and for the financial year ended 31 December 2021.

<i>(In Eur)</i>	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 2021	99,495	1,064,824	5,460	791,697	1,961,476
Investments	267,486	56,631		429,959	754,077
Reclassifications					
Decreases due to transfers and disposals					
Historical cost on 30 June 2022	366,981	1,121,455	5,460	1,221,656	2,715,552
Amortisation provision as at 31 December 2021	79,899	945,224	5,460		1,030,583
Amortisation	29,198	46,791			75,989
Decreases due to transfers and disposals					
Amortisation provision as at 30 June 2022	109,097	992,015	5,460		1,106,572
Net carrying amount on 31 December 2021	19,596	119,598	0		930,893
Net carrying amount on 30 June 2022	257,884	129,441	0	1,221,656	1,608,981

Intangible fixed assets on 30 June 2022 mainly consist in Development Costs for Eur 258 thousand, Concessions, licences, trademarks and similar rights for Eur 129 thousand, and fixed assets in progress for a total of Eur 1,222 thousand.

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. Please note that, in 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 “development costs” of Eur 258 thousand refers to capitalised and amortised internal development projects.

The item “Fixed assets in progress and advance payments”, amounting to Eur 1,222 thousand, includes the capitalisation of costs relating to internal development projects that were still ongoing at the closing date of the condensed half-year financial statements.

For more details on the main initiatives, please see the specific paragraph included in the interim 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 recognised 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)	30.06.2022	31.12.2021
Net carrying amount of right-of-use assets (property)	1,788,313	1,867,289
Net carrying amount of right-of-use assets (vehicles)	10,867	538
Total carrying amount of right-of-use assets	1,799,179	1,867,827
Current lease liabilities	150,397	142,002
Non-current lease liabilities	1,791,669	1,860,075
Total lease liabilities	1,942,066	2,002,077

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

(In Eur)	30.06.2022	30.06.2021
Amortisation of right-of-use assets (property)	78,976	96,913
Amortisation of right-of-use assets (vehicles)	3,398	2,690
Total amortisation of right-of-use assets	82,374	99,603
Interest payable for leases	19,851	28,386
Property lease fees	90,119	87,206
Vehicle lease fees	3,469	2,746
Total outgoing cash flows for leases	93,588	89,952

Right-of-use assets relating to 30 June 2022, like those relating to 31 December 2021, refer to the lease of a property located in Ardea (RM), to the lease of a property used as headquarters located in Pedaso (FM), to the lease of a property located in Casoria (NA), to a vehicle rental contract, and to two contracts for a building used as guest house located in Porto San Giorgio (FM) and one in Pedaso (FM).

The value of the right-of-use assets and that of lease liabilities are down by Eur 69 thousand and Eur 60 thousand, respectively, compared to 31 December 2021.

The value of the amortisation of right-to-use assets and interest payable for *leases* decreased compared to 30 June 2021, with a lower impact of Eur 26 thousand on the income statement. This decrease is due to the recalculation upwards of the amortisation and interest payable for leases on the years 2018, 2019, and 2020 that was carried out and recognised during the financial year 2021 due to ISTAT adjustment.

Please note that, in the first six months of 2022, no new contracts falling under the scope of the IFRS16 standard were stipulated, with the exception of the renewal of vehicle lease contracts.

As at 30 June 2022, 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 30 June 2022.

(In Eur)	As at 30 June 2022					
	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years	Carrying amount	Contractual value
Lease liabilities	150,397	304,014	653,399	834,257	1,942,066	1,942,066

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 period closed at 30 June 2022.

(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 2021	2,841,026	838,548	514,344	266,413	162,987	4,623,318
Investments	90,579	317,398	54,232		543,695	1,005,904
Decreases due to transfers and disposals			(1,804)			(1,804)
Reclassifications	291,568				(291,568)	0
Historical cost on 30 June 2022	3,223,174	1,155,946	566,774	266,413	415,114	5,627,420
Amortisation provision as at 31 December 2021	1,835,310	326,610	279,004	129,915	0	2,570,839
Amortisation	153,181	71,053	40,507	15,085		279,826
Decreases due to transfers and disposals			(1,262)			(1,262)
Amortisation provision as at 30 June 2022	1,988,491	397,663	318,249	145,000	0	2,849,403



Net carrying amount on 31 December 2021	1,364,029	424,153	215,660	167,032	0	2,170,874
Net carrying amount on 30 June 2022	1,234,682	758,283	248,524	121,413	415,114	2,778,017

Tangible assets mainly refer to plant, equipment and industrial equipment used in the production process. The item “tangible assets in progress and progress payments” includes the amount of progress payments made to suppliers for the purchase of machinery and expenses for the expansion of the production plant of Pedaso not yet used as at 30 June 2022.

Investments relating to tangible fixed assets for the period ended 30 June 2022, amounting to Eur 1,006 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 disposed tangible assets 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 30 June 2022, there are no tangible assets owned by the Company encumbered by any type of third party guarantees.

6.4 Investments in subsidiaries and other financial assets

The table below shows the detailed statement of Investment in subsidiaries and other financial assets on 30 June 2022 and on 31 December 2021.

<i>(In Eur)</i>	30.06.2022	31.12.2021
Investments in subsidiaries	1	1
Other Financial assets	50,000	50,000
Investments in subsidiaries and other financial assets	50,001	50,001

The investments in subsidiaries recognised for Eur 1 refer to an investment in the English subsidiary under the name Civitanavi UK Ltd, founded in 2020 for commercial development purposes, inactive on 31 December 2021 and currently being launched and becoming operational. The development of this project falls under the strategic and business expansion goals launched since 2022.

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

6.5 Deferred tax assets

The table below shows the detailed statement of deferred tax assets on 30 June 2022 and on 31 December 2021.

<i>(In Eur)</i>	30.06.2022	31.12.2021
Presumed losses on receivables	8,400	8,400
Unrealised foreign currency losses	2,318	2,057
Intangible assets - Patent and Know How revaluation pursuant to (It.) DL 104/2020 as amended	2,585,700	2,585,700
Inventories	48,000	48,000
Financial derivative instruments	43,170	6,219
Provisions for employee benefits	0	41,698
Right-of-use assets	24,792	24,792
IPO costs recognised in Net Equity	693,260	0
Deferred tax assets	3,405,641	2,716,866

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

During the first six months of 2022, the Assets for deferred taxes increased by Eur 689 thousand. This increase is mainly attributable to the recognition of the fiscal effect on the costs for the listing on the Euronext Milan market for Eur 693 thousand. Please see note §6.12 “Net Equity” of the Explanatory Notes for more details.

The table below shows the detailed statement of deferred tax liabilities on 30 June 2022 and on 31 December 2021.

<i>(In Eur)</i>	30.06.2022	31.12.2021
Unrealised foreign currency profits	10,130	1,154
Severance indemnity (TFR) adjustment IAS 19	13,575	0
Deferred tax liabilities	23,706	1,154



The table below shows the composition and movements of the gross value of deferred tax assets for the period ended 30 June 2022.

(In Eur)	Presumed losses on receivables	Unrealised foreign currency profits and losses	Intangible assets	Inventories	Financial derivative instruments	Provisions for employee benefits	Right-of-use assets	IPO costs recognised in Net Equity	Total deferred tax assets
Balance on 31.12.2021	8,400	2,057	2,585,700	48,000	6,218	41,698	24,792	0	2,716,866
Provisions (uses) in the Income Statement		261						693,260	693,521
Provisions (uses) in the comprehensive Income Statement					36,952	(41,698)			(4,746)
Balance on 30.06.2022	8,400	2,318	2,585,700	48,000	43,170	0	24,792	693,260	3,405,641

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 30 June 2022 and on 31 December 2021.

(In Eur)	30.06.2022	31.12.2021
Finished products and merchandise	1,221,704	755,392
Raw, ancillary materials and consumables	3,539,182	2,902,162
Unfinished and semi-finished products	1,810,739	1,231,507
Advance payments to suppliers for merchandise	884,107	859,458
Gross inventories	7,455,732	5,748,519
Provision for inventory write-downs	(200,000)	(200,000)
Inventories	7,255,732	5,548,519

The provision for inventory write-downs as at 30 June 2022 did not change compared to what was recorded on 31 December 2021. In fact, the provision was found to be adequate and reasonable; therefore, no further allocations were found to be necessary.

The increase in inventories is related to the procurement of the stocks required to support future production volumes foreseen.

6.7 Trade receivables

The table below shows the detailed statement of trade receivables on 30 June 2022 and on 31 December 2021.

(In Eur)	30.06.2022	31.12.2021
Trade receivables from customers	4,019,004	9,771,431
Trade receivables from subsidiaries	0	0
Trade receivables from other related parties	0	0
Trade receivables (gross)	4,019,004	9,771,431
Provision for write-downs of trade receivables	(155,513)	(135,583)
Trade receivables	3,863,491	9,635,848

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 30 June 2022 by bands of amounts due.

(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 30 June 2022	1,694,695	738,422	130,000	594,834	737,604	3,895,555
Invoices to be issued/Credit notes to be issued	123,449					123,449
Provision for write-downs of receivables					(155,513)	(155,513)
Trade receivables on 30 June 2022	1,818,144	738,422	130,000	594,834	582,091	3,863,491



The amount of receivables past due over 90 days net of the Provision for write-downs of receivables (Eur 156 thousand) amounts to Eur 582 thousand and refers, for Eur 128 thousand, to the VAT credit 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. 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 period ended 30 June 2022:

<i>(In Eur)</i>	Provision for write-downs of trade receivables
Balance on 31 December 2021	135,583
Provisions	19,930
Uses	0
Balance on 30 June 2022	155,513

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 20,668 thousand on 30 June 2022 and to Eur 17,285 thousand on 31 December 2021, refer to the inventories of work in progress for multi-year orders. Liabilities for progress payments on work in progress, amounting to Eur 19,346 thousand on 30 June 2022 and to Eur 14,565 thousand on 31 December 2021, refer to advance payments received from customers for multi-year orders.

The table below shows the net carrying amount of assets for contract work in progress net of the related progress payments received from customers:

<i>(In Eur)</i>	30.06.2022	31.12.2021
Assets for work in progress on order	20,667,655	17,284,535
Advance payments for work in progress on order	(19,346,075)	(14,564,765)
Net carrying amount of assets for work in progress on order	1,321,581	2,719,769

The decrease of the net value between assets and progress payments on work in progress relates to the increase of progress payments which is more than proportional compared to the related activity.

6.9 Other receivables and current assets

The table below shows the detailed statement of other receivables and current assets on 30 June 2022 and on 31 December 2021.

<i>(In Eur)</i>	30.06.2022	31.12.2021
Tax and other receivables	1,109,160	2,355,823
Deferred expenses	154,287	576,857
Advance payments	230,680	210,755
Other receivables and current assets	1,494,127	3,143,435

Tax credits and other receivables mainly refer to:

- tax credit for research and development costs (Eur 364 thousand at 30 June 2022 and Eur 390 thousand at 31 December 2021);
- VAT credit to the Tax Authorities (Eur 212 thousand at 30 June 2022 and Eur 278 thousand at 31 December 2021);
- Receivables for Sabatini Contribution (for Eur 41 thousand at 30 June 2022 and for Eur 70 thousand at 31 December 2021);
- IRAP tax credits equal to Eur 111 thousand at 30 June 2022 and IRES tax credit equal to Eur 13 thousand.

The decrease mainly refers to the use of the tax credit arising in 2021 offsetting the current tax payable recorded on 31 December 2021 and in the first six months of 2022.

Prepaid expenses mainly refer to insurance premiums and software support fees; the decrease is mainly attributable to costs for services, related to the Euronext Milan IPO process, discounted on 31 December 2021 as the process was completed in 2022.

Advance and progress payments, amounting to Eur 231 thousand, mainly include progress payments made to suppliers during



the first six months of 2022.

6.10 Current financial assets

The table below shows the value of current financial assets on 30 June 2022 and on 31 December 2021.

<i>(In Eur)</i>	As at 30 June 2022	As at 31 December 2021
Current financial assets	665,273	1,346,041

The decrease relates mainly to the closing of the term current account relating to the commercial bank guarantee issued in 2021 to a customer with which the sale transaction was concluded during the first six months of 2022.

The item current financial assets of Eur 665 thousand records the *fair value* of the investments in Sicav/Sicaf/ETF Mutual Funds deposited for safe keeping with Unicredit S.p.A. on 30 June 2022 (Eur 780 thousand fair value as at 31 December 2021). The adjustment at *fair value* on 30 June 2022 generated a financial charge of Eur 115 thousand. For more details, please see note §7.9 “Financial income and expenses” of this document.

6.11 Cash and cash equivalents

The table below shows the detailed statement of cash on hand and in banks on 30 June 2022 and on 31 December 2021.

<i>(In Eur)</i>	30.06.2022	31.12.2021
Bank and postal deposits	27,450,010	1,717,014
Cash in hand	5,512	2,170
Cash and cash equivalents	27,455,523	1,719,184

As at 30 June 2022 and 31 December 2021, the cash on hand and in banks were not subject to restrictions or limitations. Cash on hand and in banks essentially consist of the balance of the active current accounts. The increase for the period relates to the collection from the listing at the Stock Exchange in the Euronext Milan market and to Company’s ability to generate cash.

Please see the Cash Flow Statement for a detailed analysis of the movements during the half-year.

6.12 Net equity

The table below shows the detailed statement of net equity on 30 June 2022 and on 31 December 2021.

<i>(In Eur)</i>	30.06.2022	31.12.2021
Share capital	4,244,000	500,000
Share premium reserve	17,565,228	0
Legal reserve	343,931	100,000
Extraordinary reserve	15,089,303	10,454,616
Cash flow hedge instruments reserve	(136,707)	(19,692)
EU-IFRS first-time adoption reserve	(32,454)	(32,454)
Actuarial profit and loss reserve	77,019	(91,561)
Other reserves	0	0
Retained earnings (losses)	2,513,883	2,513,883
Net profit	2,033,817	4,878,619
Total net equity	41,698,021	18,303,411

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

Share capital

On 17 February 2022, following the listing of the Company on the stock market, the Company collected new resources amounting to a total of Eur 23,040 thousand (value gross of the distribution fees and IPO costs), of which Eur 3,744 thousand towards an increase of the share capital.

As at 30 June 2022, the share capital, fully subscribed and paid, amounts to Eur 4,244,000, divided into 30,760,000 ordinary shares, without specification of par value and dematerialised. Each ordinary share of the Company grants the right to one vote in the Company’s ordinary and extraordinary shareholders’ meetings, as well as the other administrative rights envisaged by



the applicable legal provisions and the Articles of Association.

The Company does not have any plans for the purchase of own shares and the Company does not have own shares in its portfolio. No share categories with voting rights or rights of another nature other than ordinary shares were issued. In addition, no financial instruments that grant the right to subscribe newly-issued shares were issued.

Share premium reserve

The share premium reserve amounts to Eur 17,565 thousand as at 30 June 2022 and increased in the first six months of 2022 due to the successful completion of the process for listing in the Stock Exchange that took place on 17 February 2022. In particular, the increase following the issue of new shares to serve the listing entailed the recording of the share premium reserve of Eur 19,296 thousand, net of the listing costs recognised in net equity based on the ratio between the number of new shares issued and the number of shares following the IPO operation, in compliance with the provisions of IAS 32. The costs of the listing (including distribution fees) were deducted from the premium reserve for Eur 1,731 thousand, while the remaining part of Eur 628 were recognised in the income statement under “Services Costs” and normalised in EBITDA Adjusted. Please note that the costs recognised in net equity were recorded net of the tax effect.

Derivatives reserve

The Derivatives reserve, net of the deferred tax effect, was recognised at the negative “fair value” of the derivative on the closing date of the interim Financial Statements. The derivative was stipulated to hedge the exchange rate risk. For more information, please see note §6.13 “Financial Liabilities (Current and non-Current)” 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 “Defined benefit schemes” of this document.

6.13 Financial liabilities (current and non-current)

The table below shows the detailed statement of current and non-current financial liabilities on 30 June 2022 and on 31 December 2021.

(In Eur)	30.06.2022		31.12.2021	
	Current quota	Non-current quota	Current quota	Non-current quota
Unicredit bond loan 2018 (a)	0	0	824,746	1,658,934
Total bond loans	0	0	824,746	1,658,934
Loans from credit institutions (b)	178,788	43,276	269,757	107,885
Hedging derivative (c)	0	179,877	0	25,911
MiSE financing (d)	113,244	922,653	93,668	931,972
Payables for credit cards	990	0	3,488	0
Total loans	293,022	1,145,805	366,913	1,065,768
Total Financial Liabilities	293,022	1,145,805	1,191,659	2,724,701
Total current quota and non-current quota	1,438,827		3,916,360	

Below please find a description of the main items that compose the Company’s financial liabilities on 30 June 2022 and on 31 December 2021.

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.

In May 2022, following agreements with Unicredit S.p.A., the Company exercised the option of early full repayment of the Loan made out thereto pursuant to article 5.2 (Early repayment on Option Call) of the Loan's Regulation. The Company went ahead and paid the Loan early and full by paying UniCredit S.p.A. the amount of Eur 2,319,372.87, including accrued interest and the cost for early repayment, of 1% (one per cent) of the Residual Nominal Value. At the same time, the Company also closed the related IRS; please see paragraph "(C) Hedging Derivative".

The Company has no loans that require compliance with financial parameters.

b. Loans from Credit Institutions

(In Eur)	30.06.2022		31.12.2021	
	Current quota	Non-current quota	Current quota	Non-current quota
Creval Sabatini mortgage (B 1)	0	0	17,196	0
Banca Intesa 2018 loan (B 2)	49,942	0	124,438	0
Intesa 120280 loan (B 3)	128,846	43,276	128,123	107,885
Total	178,788	43,276	269,757	107,885
Current Payables to Banks	990		3,488	
Total Loans	179,778	43,276	273,244	107,885

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. Therefore, in January 2018, the Company stipulated a loan for the total amount of Eur 400 thousand with Banca Creval.

This loan was extinguished on 08 February 2022 with the payment of the last instalment.

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.

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

Following the early withdrawal from the bond loan contract, the Company also extinguished the IRS contract related thereto early, effective from 10 May 2022. The cost of replacement related to the derivative contract, on the closing date, amounts to Eur 9,400 to be borne by Unicredit Bank. The latter therefore paid such amount to the Company. For more details, please see the paragraph “Bond Loan under point a)”.

Two option contracts on foreign currencies were stipulated during 2022. The item “Hedging Derivative” records, as at 30 June 2022, the negative “fair value” of such Forwards whose total contractual amount is USD 6,200 thousand, of which: a first tranche due on 29/12/2023 for the contractual amount of USD 4,200 thousand, and a second tranche due on 29/12/2025 for the contractual amount of USD 2,000.

d. MiSE financing – 2018

On 05 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 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 2018-2019-2020, structured in annual quotas and with recognition of the related expenditure for each year.

The last statement was submitted in 2021, which led to a total disbursement of Eur 1,427 thousand as at 31 December 2021. This amount, recognised at amortised cost, must be repaid by the Company only for the loan part, equal to 80% of the amount disbursed, for Eur 1,142 thousand, as the remaining 20% is a non-refundable contribution. Repayment will take place in 10 yearly instalment of Eur 114 thousand each, without the application of payable interest, from October 2022.

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.

<i>(In Eur)</i>	As at 1 January 2022	Loans taken	Change in hedging derivatives	Repayments	Amortised cost	As at 30 June 2022
Current and non-current financial liabilities	3,916,360	990	179,877	(2,668,935)	10,532	1,438,827
Total financial liabilities	3,916,360	990	179,877	(2,668,935)	10,532	1,438,827

6.14 Defined benefit schemes

Defined benefit schemes include the payable for employee benefits amounting to Eur 758 thousand and the payable for end-of-mandate indemnity of the Chairman of the BoD for the first six months of 2022 amounting to Eur 10 thousand.

The table below shows the composition and changes in defined benefit schemes for the period ended 30 June 2022.

<i>(In Eur)</i>	Severance indemnity
Balance on 31 December 2021	878,173
Defined benefit schemes	(121,071)
Directors’ end-of-mandate indemnity	10,000
Benefits paid	(9,082)
Balance on 30 June 2022	758,020

The value of the liabilities recognised in the financial statements for this item is calculated on an actuarial basis with the projected unit credit method, except for the payable for end-of-mandate seen the insignificant impact as at 30 June 2022. The change in pension plans is affected by the strong increase of discount rates, deriving from the current situation of the market.

6.15 Provisions for risks and charges

The table below shows the composition and movements of the provisions for risks and expenses for the period closed at 30 June 2022 and for the financial year ended 31 December 2021.

<i>(In Eur)</i>	30.06.2022	31.12.2021
Provision for risks of litigation	0	0
Provision for losses on future orders	0	0
Provisions for risks and charges	0	0

The evaluation of potential liabilities complied with the general criteria of prudence and accrual and no provisions for risks were set up, as no probable potential liabilities were found as at 30 June 2022. The Company, therefore, did not make any allocations and there were not changes in the reporting period.

6.16 Trade payables

The table below shows the detailed statement of trade payables on 30 June 2022 and on 31 December 2021.

<i>(In Eur)</i>	30.06.2022	31.12.2021
Trade payables to suppliers	2,170,909	3,191,010
Trade payables to subsidiaries	0	0
Trade payables to other related parties	826,828	149,881
Trade payables	2,997,737	3,340,891



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 “Transactions with related parties” 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 98 thousand on 30 June 2022 and Eur 672 thousand on 31 December 2021.

The decrease of the period is mainly attributable to the offsetting of the IRES IRAP payable that arose on the closing date of the 2021 financial statements with the tax credit generated with the supplemental declaration of 2021. The item only includes liabilities for certain and determined taxes; in particular, it mainly refers to: (i) withholdings at source on employment, similar relationships and independent work payables, for Eur 92 thousand on 30 June 2022 and for Eur 176 thousand on 31 December 2021; (ii) payable related to the substitute tax on TFR for Eur 4 thousand on 30 June 2022 and Eur 3 thousand on 31 December 2021; (iii) Other tax payables for Eur 2 thousand which took into account the quota of the tax on waste payable on 30 June 2022.

6.18 Other current payables and liabilities

The table below shows the detailed statement of other current assets and liabilities on 30 June 2022 and 31 December 2021.

<i>(In Eur)</i>	30.06.2022	31.12.2021
Payables to employees	1,065,325	906,068
Payables to pension institutions	414,354	482,748
Deferred income	274,992	118,249
Payables to the Chairman of the BoD	20,038	30,679
Accrued liabilities	4,811	1,006
Advance payments from customers	906,317	1,068,572
Other	55,087	9,226
Other current payables and liabilities	2,740,924	2,616,548

Payables to employees amount to Eur 1,065 thousand and include the payroll costs to be paid next, as well as leave and other rights accrued and not taken. The increase compared to 31 December 2021, amounting to Eur 159 thousand, is due to leave accrued and not taken as at 30 June 2022.

Pension institution payables, amounting to Eur 414 thousand, relate to the quotas to be paid by the companies and to the withholdings from employees for contribution on salaries and wages, in accordance with the provisions of the applicable legislation.

Progress payments from customers amount to Eur 906 thousand on 30 June 2022 and Eur 1,069 thousand on 31 December 2021. This item decreased due to the reduced progress payment during the first six months of 2022 for sale orders fulfilled.

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, to the contribution 2021 for R&D tax credit for the component that refers to capitalised development projects, 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 30 June 2022, operating revenues amount to Eur 13,404 thousand and are composed of changes in inventories of finished and semi-finished products for Eur 1,046 thousand and of revenues deriving from contracts with customers for Eur 12,359 thousand, of which Eur 3,383 thousand for changes in assets for contract work in progress.

Below please find a summary of the breakdown of revenues by “type”:

<i>(In Eur)</i>	30.06.2022	30.06.2021
Revenues from product sales	8,140,271	5,332,454
Revenues from services	522,003	442,869
Revenues from royalties	313,163	46,031
Change in Assets for work in progress on order	3,383,121	2,209,764
Operating revenues net of the change in FP/SFP inventories	12,358,558	8,031,118
Change in FP and SFP inventories	1,045,544	1,937,071
Total Operating Revenues	13,404,102	9,968,189

The table below shows the detailed statement of operating revenues by geographic area for the periods ended 30 June 2022 and 2021.

<i>In Eur thousands</i>	As at 30 June 2022	% of total June 2022	As at 30 June 2021	% of total June 2021
APAC	2,287	19%	3,451	43%
EMEA (except Italy)	8,096	65%	2,944	37%
Italy	1,211	10%	1,079	13%
USA	764	6%	556	7%
Rest of the World	-	0%	-	0%
Total Operating revenues net of the change in inventories	12,359	100%	8,031	100%
Change in inventories of finished and semi-finished Products	1,046		1,937	
Total Operating revenues	13,404		9,968	

Please see the Interim Directors’ Report on Operations for comments on the trend of revenues by geographic area.

The item Change in Assets for contract work in progress includes the economic offset of the allocation to the provision of risks for future order losses, zero on 30 June 2022 as mentioned below.

<i>(In Eur)</i>	As at 30 June 2022		
	Change in the financial year	Allocation to the provision for risks	Total
Revenues from Change to WIP 30 June 2022	3,383,121	0	3,383,121

Contract work in progress refers to contracts stipulated specifically for development activities in the aerospace and defence sector.

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.

Disclosure on Operating Segments

Pursuant to IFRS 8 para. 12, following a qualitative measurement made by the Company, it was decided to group the activity segments in a single reporting segment, in continuity with the approach applied in 2021.

7.2 Other revenues and income

The table below shows the detailed statement of other revenues and income for the periods ended 30 June 2022 and 2021.



<i>(In Eur)</i>	30.06.2022	30.06.2021
Clawbacks and chargebacks	59,755	169
Grants	71,590	41,993
Extraordinary income/capital gains	18,531	165
Other	4,734	3,027
Other revenues and income	154,610	45,353

Other revenues and income amount to Eur 155 thousand in the first six months of 2022, up by Eur 98 thousand from the same period of the previous year. They increase mainly following the accounting of: *i*) repayment of expenses to suppliers relating to processing costs that the Company incurred for the management of non-conformities encountered in certain articles purchase; *ii*) grants, which, as at 30 June 2022, mainly include the relevant quota of the 2021 R&D tax credit in direct correlation with the costs incurred, the grants disbursed by the Region of Marche for investment tenders, grants deriving from (It.) DL 91.2014, and grants deriving from the Sabatini law for financing of instrumental goods. Please note that operating grants are credited to the income statement in direct relation to the amortisation process to which the goods/projects refer; *iii*) extraordinary income due to the receipt of credit notes from suppliers relating to invoices issued during 2021.

7.3 Raw material costs and change of inventories

The table below shows the detailed statement of purchases and consumption of raw materials for the periods ended 30 June 2022 and 2021.

<i>(In Eur)</i>	30.06.2022	30.06.2021
Purchases of raw materials and consumables	5,513,525	4,635,236
Changes in inventories of raw materials, ancillary materials, consumables and goods	(667,506)	(489,946)
Cost of purchase of goods and change of inventories	4,846,019	4,145,290

The item changes in inventories includes net allocations to the provision for inventory write-downs, zero as at 30 June 2022, and amounting to Eur 35 thousand as at 30 June 2021.

The increase in such “cost for the purchase of goods and change in inventories” is proportional to the increase in turnover relating to products compared to the previous period. When analysing the sales of finished products including changes in inventories of finished and semi-finished products, the “Cost of purchase of goods and change of inventories” is found to be slightly lower than the first six months of 2021.

7.4 Personnel costs

The table below shows the detailed statement of personnel costs for the periods ended 30 June 2022 and June 2021.

<i>(In Eur)</i>	30.06.2022	30.06.2021
Salaries and wages	1,705,999	1,573,363
Social security expenses	689,206	514,199
Expenses for severance indemnity	168,678	124,469
Other	22,000	17,200
Personnel costs	2,585,883	2,229,232

The cost of labour on 30 June 2022 amounts to a total of Eur 2,586 thousand, an increase of 16% compared to 31 December 2021.

This increase is mainly due to the new hires for the period, net of the decrease in Salaries and Wages by Eur 592 thousand (reversal by nature) relating to the cost of personnel capitalised in Development projects. Please see note §6.1 “Intangible Assets” of this document.

The table below shows the average and exact number of Company employees for the periods ended 30 June 2022 and June 2021, with indication of the category.

<i>Average number</i>	30.06.2022	30.06.2021
Blue-collar workers	36	18
White-collar workers	77	79
Middle managers	8	4



Executives	1	2
Total employees	121	102

<i>Exact number</i>	30.06.2022	30.06.2021
Blue-collar workers	44	26
White-collar workers	80	73
Middle managers	8	7
Executives	2	1
Total employees	134	107

7.5 Services costs

The table below shows the detailed statement of services costs for the periods ended 30 June 2022 and 30 June 2021.

<i>(in Eur)</i>	30.06.2022	30.06.2021
Utilities and cleaning services	103,226	59,037
Maintenance	19,062	39,326
Transport	49,900	47,189
Consultancy	1,413,164	458,490
Technical services	392,645	551,422
Travel and accommodation expenses	144,090	36,835
External processing	91,163	294,644
Marketing and trade fairs	36,600	20,874
Insurance	41,242	25,635
Canteen	78,246	52,536
Bank and guarantee commissions	22,216	4,342
BoD emoluments	236,421	82,772
Auditing firm fees	17,500	4,160
Board of Statutory Auditors emoluments	12,133	0
Other services	46,717	97,375
Services costs	2,704,327	1,774,638

The items services costs, amounting to Eur 2,704 thousand, includes, specifically, the costs for consultancy and technical and professional services, for external processing, for maintenance, for utilities and cleaning services, and for other services.

The increase in Consultancy mainly refers to the costs for the IPO listing concluded in February 2022; for more details on the accounting treatment, please see paragraph §6.12 Net Equity.

Moreover, the item “Services costs” include the amount of the emoluments due to the Company’s bodies relating to:

- Director emoluments for Eur 236 thousand (Eur 83 thousand in the first six months of 2021 for the Sole Administrator);
- Emoluments of the Board of Statutory Auditors for Eur 12 thousand (zero on 30 June 2021, as the Board of Statutory Auditors was appointed in October 2021);
- Fees of the Auditing firm for Eur 18 thousand (Eur 4 thousand on 30 June 2021 for the Sole Auditor then in office).

7.6 Other operating costs

The table below shows the detailed statement of other operating costs for the periods ended 30 June 2022 and 30 June 2021

<i>(in Eur)</i>	30.06.2022	30.06.2021
Costs relating to leases, rentals and licences	72,134	68,937
Taxes and duties	4,701	5,076
Substitute tax	0	0
Association fees and charity	8,135	6,517
End-of-mandate indemnity for Directors	10,000	0
Other minor	2,755	1,644
Other operating costs	97,725	82,174

The item “Other Operating Costs”, amounting to Eur 98 thousand, consists mainly of the following sums:



- Costs relating to rentals for Eur 72 thousand (amounting to Eur 69 thousand on 30 June 2021) that include fees for the lease of goods that fall under the recognition exceptions within the scope of IFRS 16 (short-term leasing and leasing where the underlying asset is of modest value);
- Taxes and duties for Eur 5 thousand, in line with the comparative period;
- Association fees and charity for Eur 11 thousand (amounting to Eur 8 thousand on 30 June 2021);
- End-of-mandate indemnity for Directors for Eur 10 thousand (zero on 30 June 2021).

7.7 Write-downs of net financial assets

Write-downs of net financial assets, amounting to Eur 20 thousand and Eur 16 thousand on 30 June 2022 and on 30 June 2021, respectively, refer to the allocation to the Provision for write-down of trade receivables. Below please find the detailed statement for the periods ended 30 June 2022 and 2021.

<i>(in Eur)</i>	30.06.2022	30.06.2021
Allocations and write-downs of current receivables	19,930	16,384
Write-downs of net financial assets	19,930	16,384

The provisions for the financial period 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 and write-downs

The table below shows the detailed statement of amortisations/depreciations and write-downs for the periods ended 30 June 2022 and 30 June 2021.

<i>(in Eur)</i>	30.06.2022	30.06.2021
Amortisation and write-downs of intangible assets	75,989	119,007
Depreciation and write-downs of tangible assets	279,826	284,483
Amortisation and write-downs of right-of-use assets	82,374	99,603
Provisions for risks	0	28,547
Amortisation/depreciation	438,189	531,640

Amortisation and depreciation and write-downs, amounting to Eur 438 thousand on 30 June 2022, are lower by Eur 93 thousand compared to the previous period.

The decrease is mainly attributable to the zero provision for risks on 30 June 2022 and to the decrease in the amortisation of intangible assets due to the end, on 31 December 2021, of the amortisation plan for some software.

7.9 Financial income and expenses

The table below shows the detailed statement of financial revenues for the periods ended 30 June 2022 and 30 June 2021.

<i>(in Eur)</i>	30.06.2022	30.06.2021
Net foreign currency profits	210,471	8,029
Income from derivative contracts	9,400	0
Re-measurement of financial investments	0	39,666
Other financial income	70	286
Financial income	219,941	47,981

The item Financial Income is booked for Eur 220 thousand on 30 June 2022 and presents a decrease by Eur 172 thousand compared to 30 June 2021. This increase is due to the combined effect: (i) of the increase in net foreign currency profits amounting to Eur 202 thousand; (ii) of the decrease deriving from the gain from the sale of the Sicav/Sicaf/ETF financial instruments, zero on 30 June 2022 and amounting to Eur 40 thousand on 30 June 2021; (iii) of the increase in income on derivative contracts that records the cost of replacement paid by Unicredit Bank following the early extinction of the IRS derivative in May 2022 related to the underlying Debenture Loan.

The table below shows the detailed statement of financial expenses for the periods ended 30 June 2022 and 2021.



<i>(In Eur)</i>	30.06.2022	30.06.2021
Interest on bond loans or loans	64,003	43,695
Bank interest	1,666	1,462
Net foreign currency losses	30,055	16,970
Interest on lease liabilities	19,851	28,386
Interest on the discount of benefit schemes	4,221	1,109
Capital losses from financial investments	114,827	4,255
Expenses for derivative contracts	5,506	13,549
Other financial expenses	5	0
Financial expenses	240,135	109,428

Financial expenses as at 30 June 2022 are up by Eur 131 thousand, mainly due to the write-down of the investments in financial assets for the adjustment to fair value on that date.

7.10 Income taxes

The table below shows the detailed statement of income taxes for the periods ended 30 June 2022 and 2021.

<i>(in Eur)</i>	30.06.2022	30.06.2021
Current taxes	(739,365)	(304,619)
Deferred taxes	(10,753)	21,162
Taxes relating to previous financial years	(62,511)	4,642
Income taxes	(812,629)	(278,815)

Taxes were calculated using the best estimate of the annual tax rate expected on the closing date of the period, in accordance with IAS 34.

7.11 Earnings per share (EPS)

The table below shows the detailed statement of the earnings per share for the periods ended 30 June 2022 and 2021.

<i>(in Eur)</i>	30.06.2022	30.06.2021
Net profit for the period	2,033,817	893,923
Number of shares in circulation	30,760,000	500,000
Treasury shares	0	0
Number of shares entitled to profits	30,760,000	500,000
Basic Earnings per share	0.07	1.79
Diluted Earnings per share	0.07	1.79

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 financial relations with related parties during the first six months of 2022.

List of Related Parties	Type and main relationship
Acutronic Switzerland Ltd	Company in which Michael Perlmutter (administrator of Civitanavi Systems SpA) holds the office of member of the board of directors.
Alan Kaile	Administrator of Civitanavi UK Ltd and Strategic Consultant
Mario Damiani	Member of the Board of Directors of Civitanavi Systems S.p.A. and Strategic consultant



Lucia Cingolani	Spouse of the Chairman of the Board of Directors and CEO
Directors and Executives with Strategic Responsibilities	Directors and Executives with Strategic Responsibilities: includes the emoluments paid to executives with strategic responsibilities for the employment relationships and the emoluments for the office of director.

The table below summarises the Company's financial transactions with related parties on 30 June 2022

RELATED PARTIES <i>in Eur thousands</i>	Acutronic Switzerland	Alan Kaile	Damiani	Directors and Executives with Strategic Responsibilities	Spouse of the Chairman of the BoD and CEO in office (Pizzarulli)	Total	Total item of the financial statements	Effect on the item of the financial statements
Plants, machinery and equipment								
As at 30 June 2022	369					369	1,993	19%
Advance payments to suppliers for merchandise								
As at 30 June 2022	769					769	884	87%
Defined benefit schemes								
As at 30 June 2022				45	19	65	758	9%
Trade payables								
As at 30 June 2022	775	34	19			827	2,998	28%
Other current payables and liabilities								
As at 30 June 2022			1	64	9	73	2,741	3%

The table below summarises the Company's economic relations with related parties during the first six months of 2022:

RELATED PARTIES <i>in Eur thousands</i>	Acutronic Switzerland	Alan Kaile	Damiani	Directors and Executives with Strategic Responsibilities	Spouse of the Chairman of the BoD and CEO in office (Pizzarulli)	Total	Total item of the financial statements	Effect on the item of the financial statements
Other revenues and income								
As at 30 June 2022	2					2	155	1%
Raw material costs and change of inventories								
As at 30 June 2022	772					772	4,846	16%
Services costs								
As at 30 June 2022		41	33	230		304	2,704	11%
Personnel costs								
As at 30 June 2022				133	33	166	2,586	6%
Other operating costs								
As at 30 June 2022	3					3	98	3%

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

- the relations with Acutronic Switzerland Ltd are commercial and managed in Eur.
- Alan Kaile provides consultancy services for commercial purposes and the relations are managed in GBP;
- Mario Damiani provides consultancy services for commercial purposes and the relations are managed in Eur;
- the "Spouse of the Chairman of the BoD and CEO" is an employee.

The financial relationships with related parties as at 31 December 2021 and economic relations as at 30 June 2021 are summarised in the following tables:



RELATED PARTIES <i>in Eur thousands</i>	Civitanavi Systems Ltd	Acutronic Switzerland	Civitanavi UK Ltd	Sensoror	Alan Kaile	Perlmutter	Thomas Jung	Roberta Pizzarulli, attorney-at-	Damiani	Pizzarulli	Spouse, relatives of the Chairman of the BoD and CEO	Total	Total item of the financial statements	Effect on the item of the financial
Other tangible assets														
As at 31 December 2021		74										74	535	14%
Intangible assets														
As at 31 December 2021	30											30	931	3%
Investments in subsidiaries and other financial assets														
As at 31 December 2021			-									0	50	0%
Inventories														
As at 31 December 2021		769										769	5,549	14%
Other receivables														
As at 31 December 2021											1	1	2,567	0%
Defined benefit schemes														
As at 31 December 2021									4	24		28	878	3%
Trade payables														
As at 31 December 2021	30				14				106			150	3,341	4%
Other current payables and liabilities														
As at 31 December 2021						16	4			10	19	50	2,497	2%

RELATED PARTIES <i>in Eur thousands</i>	Perlmutter	Roberta Pizzarulli, attorney-at-law	Andrea Pizzarulli	Spouse, relatives of the Chairman of the BoD and CEO	Total	Total item of the financial statements	Effect on the item of the financial statements
Services costs							
As at 30 June 2021	35	2	83		119	1,775	7%
Personnel costs							
As at 30 June 2021				64	64	2,229	3%

For detailed explanations, please see Note §8 of the 2021 Annual Financial Report.

9. Emoluments of the Board of Directors and Board of Statutory Auditors

The emoluments due to the Board of Directors, composed of seven members of whom four took up office following the listing on Euronext Milan, amounts to Eur 236 thousand as at 30 June 2022. The emoluments due to the Board of Statutory Auditors on 30 June 2022 amount to Eur 12 thousand.

No loans or advance payments were made to directors or shareholders during the period.

10. Commitments and risks

The Company has ongoing bank sureties as guarantee for the commitments undertaken in fulfilment of contractual obligations relating to commercial sale contracts for a total guaranteed amount of USD 4,145 thousand. In addition, the Company has stipulated bank sureties for supply contracts for a total amount of Eur260 thousand.



11. Russia-Ukraine conflict

With reference to the current scenario in Eastern Europe, the conflict between Russia and Ukraine has dealt a severe blow to the economic recovery and brought the global economy on a path of slowing expected growth and rising inflation. It is undeniable that this scenario represents an element of concern above all because the duration, outcomes and consequences of the crisis that this conflict is causing both on the fate of the world economy are not yet clear.

Relations with Russia are significantly affected by the increasing number of logistical and economic sanctions initiated by the European Union, other countries and other international organizations.

Civitanavi has no commercial relationship either in purchase or for sale with the Russian Federation and Ukraine and no relations are expected in the foreseeable future.

The sanctioning measures adopted by the international community against Russia, as well as the countermeasures activated by this country, have determined and determine a sharp increase in prices, mainly of raw materials and energy, as well as interruptions and turbulence in the functioning of international trade chains, which at present have not impacted the profitability of the Company.

The Company has started from the first signals a series of actions aimed at monitoring and mitigating the effects in the short and medium term. In particular with respect to the recent inflationary pressures on the energy market and the consequent increase in the prices of raw materials and products used in its production processes, the Company has promptly implemented a meticulous planning of its needs of materials and components ensuring adequate supply conditions in time, containing the inflationary effects as well as the effects of the *shortage* of mechanical and electronic components for the current operation.

The actions put in place, based on what is known to date, guarantee an adequate coverage of the potential effects for the current year, although further tensions in price developments may require a revision of the forward scenarios.

Also from the point of view of the sanctioning regime, the *management*, with the constant supervision of the Board of Directors and the control bodies, has worked to ensure full compliance with the restrictions, integrating ad hoc commercial, export and supplier selection procedures.

The Company will continue to constantly monitor the situation and possibly update its assessments.

12. Information on the assets and loans for a specific business deal

The Company has not established, within the Company's equity, any assets to be exclusively earmarked for a specific business deal as per Art. 2447 bis, letter a) of the (It.) Civil Code.

13. Information on agreements not resulting from the balance sheet

The Company does not have existing agreements that are not included in the Balance Sheet as per Art. 2427, first paragraph, no. 22 ter of the (It.) Civil Code.

Pedaso, 23 September 2022

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



Attestation of Manager in charge of Financial Reporting

Attestation of the Condensed half-year financial statements pursuant to Art. 81ter of CONSOB Regulation 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 Systems S.p.A., hereby attest, including in accordance with Art. 154-bis (3) and (4) of Legislative Decree no. 58 of 24 February 1998:
 - the adequacy of, in relation to the characteristics of the business; and
 - due compliance with the administrative and accounting procedures for the preparation of the Condensed half-year financial statements during the period from 1 January to 30 June 2022.

2. We also attest that:
 - 2.1. The Condensed half-year 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 ledgers and accounting entries;
 - c) provide a true and fair view of the financial position and results of operations of issuer.

 - 2.2. the Interim Directors' report on operations contains a reliable analysis of the key events that took place during the first six months of the year and their impact on the Condensed half-year financial statements and describes the main risks and uncertainties for the remaining six months of the year. The Interim Directors' report on operations also includes a reliable analysis of information on significant related party transactions.

Pedaso, 23 September 2022

Signed by
Andrea Pizzarulli
Chief Executive Officer

Signed by
Letizia Galletti
Manager in charge of Financial Reporting



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.



Opinion of Independent Auditors on Review report on interim condensed financial statements as of June 30, 2022



Civitanavi Systems S.p.A.

Review report on interim condensed
financial statements as of June 30,
2022

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.

Review report on interim condensed financial statements

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

Introduction

We have reviewed the accompanying condensed balance sheet as of June 30, 2022, and the related condensed statement of financial situation, condensed income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related explanatory notes, of Civitanavi Systems S.p.A. Management is responsible for the preparation of this interim condensed financial statements in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim condensed financial reporting based on our review.

Scope of review

We conducted our review in accordance with review standard recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements of Civitanavi Systems S.p.A. as of June 30, 2022, are not prepared, in all material respects, in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Other matters

The interim condensed financial statements of Civitanavi Systems S.p.A. for the period ended as of 30 June 2021 were neither audited nor reviewed.

Bologna, September 23, 2022

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