Civitanavi Systems S.p.A.

Annual Financial Report
as at 31 December 2022

TABLE OF CONTENTS

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.

Manager in charge of drafting the company's accounting documents Letizia Galletti

Supervisory Board Antonio Francesco Morone

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

Methodological Note
In this Directors' Report on Operations and Finanacial Statements documents, accompanied by the related Notes, values are expressed in millions and/or thousands of euros and/or to the punctual euro. Percentage ratios, margins and variances, are calculated with reference to values expressed in punctual euros.

Letter to Shareholders

The year 2022 was the year of milestones in many ways. We have achieved a development plan that we have been working on for ten years, which has led us to be listed on the Euronext Milan stock exchange, opening up further growth opportunities and new projects, allowing us to compete at an international level and attract both authoritative and high-profile partners, as well as talents that have enriched our workforce, made up of exceptional people who contribute to the excellence of our company on a daily basis with commitment and passion, making possible the journey we have accomplished so far.

We are very proud of our achievements in this first year as a listed company. The quality of our products, flexibility, and operational excellence have allowed us to consolidate our position in a market that is usually exclusive to large operators.

The fiscal year just ended was marked by solid operational and financial performance, with growth in revenues and cash flow. We achieved total revenues of Eur 34.4 million (+37% compared to 2021), driven by the growing demand for A&D solutions and cash flows, in line with our medium-term financial ambitions.

Also, the "Booking 2022" (orders received from customers in 2022) continues in line with past trends, reaching Eur 41 million with a performance exceeding expectations and a book-to-bill ratio of 1.2x. This trend continues in 2023, bringing the Booking as of the date of preparation of this document (16 March 2023) to Eur 16.7 million, confirming the company's constant growth.

The organic growth that awaits us in the future is also favored by the important alliances signed with leading companies in our sector, including the one signed with Honeywell last July, which represents a strategic opportunity by activating synergies in the production of a new stabilisation and navigation solution to provide a product that will have an impact on the global market. In conjunction with the agreement, we joined the European Defense Fund's research call, organised by the European Commission, to develop Q-SING-a quantum vector inertial and gravimetric navigation system-which has confirmed our technological expertise and invested in the research and development of high-precision free-inertial systems capable of operating in GNSS-denied areas. In September, we started a collaboration with IEROM Ltd, a London-based company specialising in UAM - Urban Air Mobility, a growing sector in which we aim to gain a larger market share to expand our offering and our ability to produce inertial navigation and stabilisation systems for strategic sectors for the growth and international positioning of Civitanavi. These alliances generate an important momentum for our activities.

The results achieved in 2022 give us a positive outlook for the future, and although we are not immune to global macroeconomic challenges, we are well positioned to face them, and we expect to continue generating a strong financial performance in the coming years.

Based on these results, we will distribute dividends of Eur 4 million (Eur 0.13 per share) compared to an available profit for distribution of Eur 6.5 million (Eur 2.5 million allocated to extraordinary reserve), reflecting our ability to generate cash from our core business. The strength of our company and its cash generation ability is demonstrated by the Free Cash Flow, which, net of the change in equity resulting from the IPO listing, was Eur 6 million in 2022.

We have started 2023 with the accelerator by actively pursuing opportunities both in terms of organic growth with the start of operations of our subsidiary in the UK and through M&A, announcing the signing of the binding proposal to acquire a 30% stake in PVLabs, a company based in Canada, a leader in the design and manufacture of gyro-stabilized gimbals and advanced ISR&T (Intelligence Surveillance Reconnaissance and Targeting) imaging systems, with which we have started collaborating immediately with the aim of strengthening technological and product development know-how, strengthening our position in this market as well.

A sustainable long-term strategy of both organic and external growth, careful operational and financial management, the creation of strategic partnerships in sectors with greater potential for growth, and an increasing focus on people and sustainability issues are the factors that will continue to create value for our shareholders and stakeholders at Civitanavi.

Chairman of the Board of Directors and CEO
Andrea Pizzarulli

Directors' Report on Operations

The Directors' Report on Operations intends to provide information on the Company's situation and on the operating performance as a whole and in the various divisions in which it operates, including through subsidiaries.

The financial statements have been prepared in XHTML format in accordance with the provisions of the European Commission's Delegated Regulation (EU) 2019/815 on technical regulatory standards for the specification of the European Single Electronic Format (ESEF) for electronic communication.

Economic environment situation

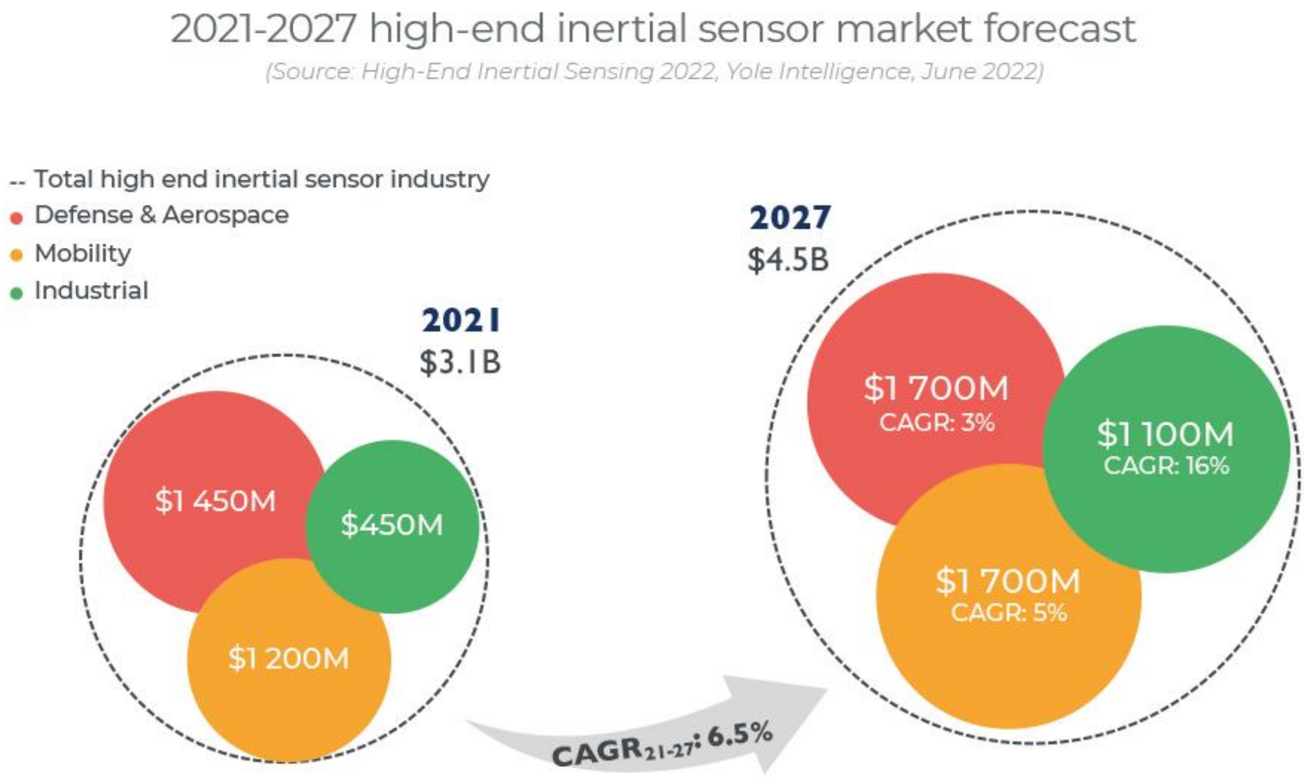
Civitanavi Systems operates in a predominantly international market, and the economic context in the field of sensor technology and inertial navigation is growing. The year 2022 shows an increase in target market volumes, which, compared to the previous year, was slowed down by the Covid-19 pandemic.
The high-tech market (especially the semiconductor industry) and raw materials market remains strongly affected by geopolitical factors and the increase in consumption of electronic devices, resulting in a shortage of raw materials for production.

Demand development and trends in the markets in which the company operates

As the Company has ITAR-FREE (International Traffic in Arms Regulations from USA State Department) technology at its disposal, the focus on business development activities remains oriented towards customers with ITAR-FREE or USA content free requirements.

High-end inertial sensors cover many markets. They are used as simple single-axis and low-cost configurations in industrial applications or highly integrated multi-axis applications as inertial measurement units (IMUs), attitude and heading reference systems (AHRS), and high-performance, high-cost inertial navigation systems (INS) in mobility applications (civil aviation), defense, and aerospace. The high-end inertial systems market showed a value of over 3.1 billion dollars in 2021. It will have a compound annual growth rate of 6.5% from 2021-2027 (CAGR21-27), reaching $4.5 billion by 2027. The market is stimulated by general trends in traditional markets such as Defense modernisation, A-PNT (Assurred Position Navigation and Timing) in the absence of GPS in civilian and defense applications, and emerging trends in new markets such as new space applications, robotics, logistics, automation, and mobility.

In addition, significant trends are highlighted in the relevant sectors in the market environment in which the Company operates, namely Aerospace and Defense (Avionics, Space, Land and Naval/Other) and Industrial (Mining, Oil & Gas and Horizontal Directional Drilling).



There are numerous gyroscope technologies on the market, and each is used for specific applications, depending on the requirements of the application. The market is very cautious of new technologies for legacy and strategic applications that have not already been field-tested for many years. This results in a long delay in the adoption of new sensor technology. Of course, this is not true for newer and more commercial applications with lower performance requirements.

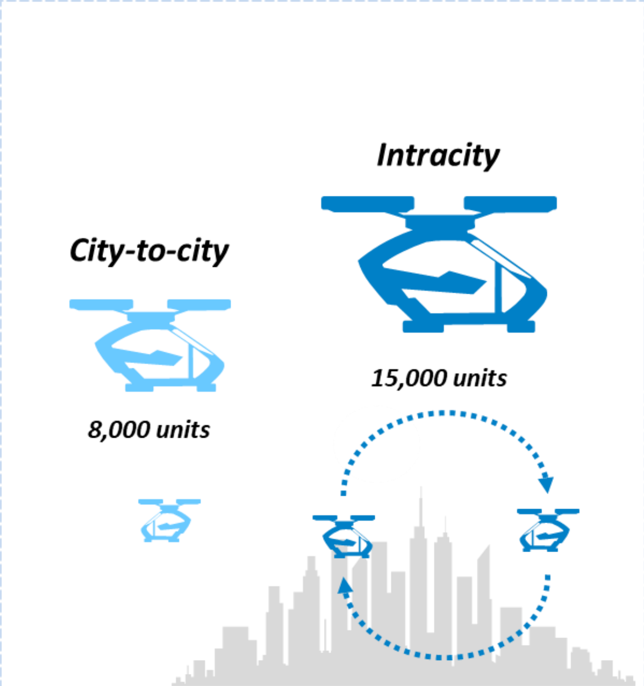
There are two strong trends in the inertial technology market pushing toward:

1) a better balance of size, weight and power and cost (SWaP-C - Size Weight and Power-Cost) mainly on MEMS and PIC (Photonic Integraded Circuit) technology;

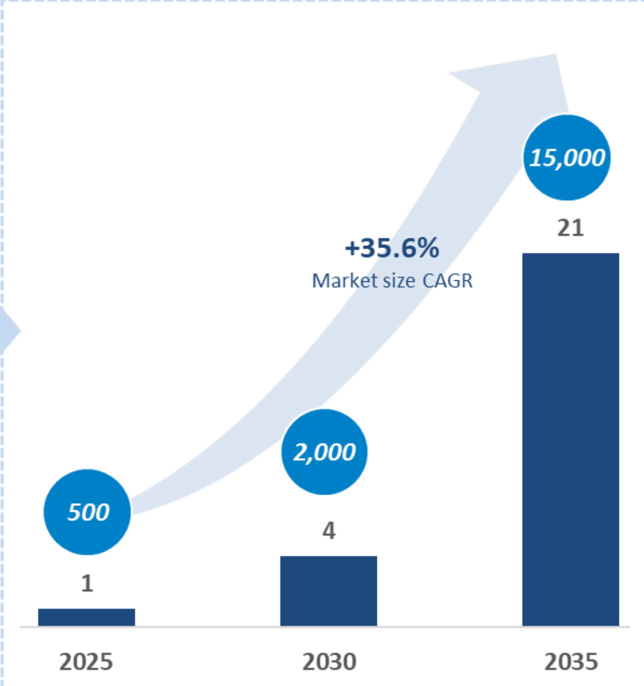
2) A-PNT (Assurred Position Navigation and Timing) to ensure navigation and time reference even in the absence of GNSS. In this latter case, high-performance inertial sensors (but not necessarily better SWAaP-C) remain the best choice as they guarantee higher accuracies in the absence of satellite navigation.

Noteworthy is the Advanced Air Mobility market for passenger and cargo transport, sustainable solutions for vertical mobility based on point-to-point short/medium-distance vertical take-off and landing flights through electric propulsion aircraft (eVTOL - electrical Vertical Take Off and Landing). In the graph below, the growth figures for this sector are shown.

Snapshot of eVTOL[2] market in 2035[3]
Visualising high volume commercialisation



Forecasted intracity eVTOL market growth[2]
Market size in $bn *Number of eVTOL aircrafts*



Note(s): (1) Total Addressable Market defines the revenue opportunity available; (2) Electric Vertical Takeoff and Landing (eVTOL) aircraft; (3) Porsche-Consulting

Performance of the Company and analysis of results for the financial year ended December, 31 2022

The Company, established in 2012 (expiring Dec. 31, 2100), is a solid business with three locations in the country, operating in the field of design, development and production of navigation and stabilisation systems in the aerospace and defense (naval, land, aeronautics and space) and industrial (mining, *oil & gas*, *tunnelling* and *horizontal drilling*) divisions, as well as consulting services to companies in the same divisions.
More specifically, the Company is a vertically integrated provider of high-accuracy inertial systems, designed and manufactured using proprietary methods and techniques based on both Fiber Optic Gyroscope (FOG) and Micro Electro Mechanical Systems (MEMS) technology, integrated with satellite navigation devices (GPS).

Thanks to the founders Andrea Pizzarulli and Michael Perlmutter's years of experience in the field, the Company quickly became a major player in the global market for both aerospace and defense applications as well as commercial applications. It was founded as an innovative start-up and became an innovative SME in 2017.

The Company carries out its activities at its registered and production headquarters in Pedaso (FM) and at two additional locations, in Ardea (RM) and in Casoria (NA). The administrative structure, sales structure, main research and development center as well as prototyping and industrial production facilities are located at the Pedaso (FM) headquarters. At the Ardea (RM) and Casoria (NA) offices, which are located in an area particularly dedicated to the development of activities in the aero-space field, the Company carries out design activities that are complementary to those performed at the main office. In addition, commercial activities focused on operators in the Rome area are carried out at the Ardea (RM) location.

During 2022, our subsidiary Civitanavi UK LTD was established in the United Kingdom (it should be noted that in 2021 the subsidiary was not operational), primarily dedicated to commercial and design activities, with the future goal of expanding production.

Key Highlights

in Eur thousands	As at 31 December 2022	As at 31 December 2021	Delta	Delta %
Operating revenues	34,132	24,998	9,134	36.5%
Total Revenues	34,412	25,142	9,270	36.9%
EBITDA Adjusted	9,948	7,990	1,958	24.5%
EBITDA Adjusted Margin	28.9%	31.8%		(2.9) p.p.
EBITDA	9,059	7,762	1,297	16.7%

EBITDA Margin	26.3%	30.9%		(4.5) p.p.
EBIT Adjusted	8,873	6,923	1,950	28.2%
EBIT Adjusted margin	25.8%	27.5%		(1.8) p.p.
EBIT	7,984	6,695	1,289	19.3%
EBIT Margin	23.2%	26.6%		(3.4) p.p.
NET PROFIT for the Year	6,975	4,879	2,096	43.0%

in Eur thousands	As at 31 December 2022	As at 31 December 2021	Delta	Delta %
Net Trade Working Capital	12,095	14,563	(2,468)	(16.9%)
Net Debt	(24,522)	2,853	(27,375)	(959.5%)
FREE CASH FLOW	27,375	(1,586)	28,961	1,827%

Please refer to the "Alternative Performance Measures (APM)" section of the Directors' Report on Operations for the definition of the indices.

The 2022 results confirm the company's significant and growing development trend, maintaining significant levels of margins, net income and cash generation. The company confirms the strong and steady growth trend in 2022, increasing from Eur 25,142 thousand in Total Revenues as of 31 December 2021 to Eur 34,412 thousand as of 31 December 2022, with a growth in terms of Total Revenues of 37% (growth of 31% from 2020 to 2021) despite the slowdown recorded in the Industrial division. In light of this slowdown, when disclosing the nine-month operating revenues to the market, the company considered it prudent to update the "2022 guidance" in terms of Total Revenues from Eur 34.8 million (minimum of the range) to Eur 32 million. As of 31 December 2022, thanks to the above-expected performance of the "Aerospace and Defense" division, Total Revenues amounted to Eur 34.4 million. Specifically, the decline in revenue from the Industrial sector was mainly offset by an increase in sales planned for 2023 but brought forward to 2022 at the request of the customer. This type of sale will be better explained in the following section.

As of 31 December 2022, the company generated a Free Cash Flow of a total of Eur 27,375 thousand, an increase of Eur 28,961 thousand compared to 31 December 2021. Net of the change in equity resulting from the IPO process, a Free Cash Flow of Eur 6,066 thousand was generated as of 31 December 2022, compared to an absorption of Free Cash Flow of Eur 1,586 thousand in the previous year.

Civitanavi Systems has grown steadily, both in terms of revenue and financial results, demonstrating as a distinctive feature a solid ability to generate income since the establishment of the company. The company is going through a development phase with transformation phenomena that have affected the business, leading it from selling services to selling high-tech and innovative products. As in previous years, the financial statements as of December 31, 2022 closed positively, reflecting an increase in business volume and market share, despite the persistent global emergency situation that has severely disrupted social and economic equilibrium.

The ongoing mobility restrictions have directly affected the development of new businesses in previous years, while in 2022 important multi-year contracts were finalised with new clients. Among the most significant, a sales contract was signed with an international player in the EMEA aerospace and defense sector for an amount of USD 11,223 thousand. The contract initiated in 2022 is valid until 2025, and additionally, a framework agreement has been established to regulate commercial relations after 2025 until 2035 based on the agreements that will subsequently be negotiated between the parties. The agreement will contribute to the company's growth path, consolidating its presence in the aerospace and defense sector where it is already active with key players both Italian and international. The choice of Civitanavi solutions confirms, once again, the strategic nature of the products and the growth potential of a sector in full evolution. This agreement well represents the increasing presence and appreciation of Civitanavi in an extremely dynamic, competitive, and challenging market.

In addition, during 2022, Civitanavi Systems and Honeywell announced a collaboration for the development of new Inertial Measurement Unit (IMU) solutions, reference systems for attitude and navigation inertial systems for commercial and defense customers (dual-use). Please refer to the section "Events during the period" for more details.

Finally, in the second half of the year 2022, the company signed an agreement with an additional new customer, a European leader in the civil and military aviation sector. The agreement provided for the start of an initial design phase that began and ended in 2022, followed by a larger long-term development project signed in January 2023.

Ebitda Adjusted for 2022 was Eur 9,948 thousand, up 25% from Eur 7,990 thousand as of 31 December 2021. The percentage incidence of Adjusted EBITDA on total revenues is decreasing compared to 2021, going from a percentage incidence of 31.8% to 28.9% as of December 31, 2022.

The slight decline in percentage terms is mainly attributable to the changed scenario of energy costs, inflation and the "shortage" of the electronics component that continues to persist. The Company carries out periodic reviews of estimates for the procurement requirements of raw materials, components, and semi-finished products based on expected production volumes, in order to ensure the constant availability of materials necessary to maintain its production capacity. Furthermore, there have been no significant trends that could affect the maintenance of adequate inventory levels to support production performance.

The company managed the "shortage" by providing for the "*re-design"* of the product by replacing the electronic components with those more available on the market, thus partially containing price increases and avoiding production stoppages.

The profitability of the financial statements as of 31 December 2022 has been also affected by the increase, compared to 2021, in sales of product types with different margins. Please note that the company considered it strategic, within an agreement with a leading Aerospace & Defense customer signed in previous years, to sell a significant number of KITs, at a lower margin. This agreement penalised the margins of the year 2020 (sales year 2020 amounting to Eur 1,643 thousand), those of 2021 (sales year 2021 amounting to Eur 4,543 thousand) and especially 2022 (sales year 2022 amounting to Eur 9,311 thousand - most referred to Q4 2022) but at the same time it retains a business relationship with an international player with very high growth potential and above all they correspond to an important deferred profitability in the following years, deriving from the Royalties that we will receive from such customer against the sale of their products incorporating such KITs. As an example, in 2022 the total amount of royalties is Eur 860 thousand.

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

in Eur thousands	**As at 31 December 2022**	**% of total 2022**	**As at 31 December 2021**	**% of total 2021**	**Change%**
Aeronautics	6,598	20%	6,781	28%	(3%)
Land defence	1,342	4%	1,052	4%	28%
Space	7,743	23%	3,411	14%	127%
Other (Naval, Submarine, Guidance)	10,632	32%	4,048	17%	163%
Total Aerospace and Defense	**26,315**	**80%**	**15,292**	**64%**	**72%**
Industrial	**5,953**	**18%**	**8,572**	**36%**	**(31%)**
Other	**758**	**2%**	**147**	**1%**	**416%**
Operating revenues net of change in FP/SFP inventories	**33,027**	**100%**	**24,011**	**100%**	**38%**
Change in FP and SFP inventories	1,105		987		23%
Operating Revenues	**34,132**		**24,998**		**37%**

Civitanavi reinforces its growth path in all its core business sectors, except for the Industrial division, which shows a decline attributable to import and re-export rules of the reference customer's country that have caused a revenue reduction in this sector. During 2022, the specific issue was solved.

With reference to geographical area, the table below shows the data achieved in 2022 compared with the previous year.

in Eur thousands	**As at 31 December 2022**	**% of total 2022**	**As at 31 December 2021**	**% of total 2021**	**Change%**
Italy	4,355	13%	5,701	24%	(24%)
EMEA (except Italy)	22,604	68%	8,881	37%	155%
APAC	4,251	13%	7,656	32%	(44%)
USA	1,816	6%	1,774	7%	2%
Rest of the World	0	0%	0	0%	0%
Operating revenues net of change in inventories	**33,027**	**100%**	**24,011**	**100%**	**38%**
Change in inventories of finished and semi-finished Products	1,105		987		0%
Operating revenues	**34,132**		**24,998**		**37%**

Operating revenues amounted to Eur 34,132 thousand for the year ended 31 December 2022 and increased by 37% compared to the year of 2021.
The company defends its presence in the main international markets with adequate geographical diversification of its customer portfolio. In Italy, revenues amounted to Eur 4,355 thousand, a decrease of 24% compared to 2021, essentially due to the dynamics of reference orders. The company believes it is strategic to maintain a portion of its business in the domestic market, while remaining the international market as the reference point. In EMEA (excluding Italy), revenues stood at Eur 22,604 thousand as of 31 December 2022 more than doubled compared to 2021. The increase is partly related to the commercial contract in the Aerospace and Defense sector signed during 2022, which will see the EMEA area grow further compared to others. With reference to the APAC area, revenues of Eur 4,251 thousand were recorded in 2022 compared to Eur 7,656

thousand in 2021. The decline can be attributed to the industrial sector, as explained above. The U.S. market recorded operating revenues of Eur 1,816 thousand, a slight increase over 2021.

Please note that the Company has no business dealings with Russian Federation, Belarus and Ukraine.

Significant Events of the 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 its parent company Civitanavi Systems Ltd have choosen to place a total number of no. 7,760,000 Shares, of which no. 5,760,000 Shares from the capital increase approved by the Company on January 13, 2022 and no. 2,000,000 Shares offered for sale by the parent company. The Greenshoe Option granted by the Selling Shareholder Civitanavi Systems Ltd. was also exercised in the amount of 674,500 Shares. The offering price was set at Eur 4.00 per share.
Assigned at the Offer Price were no. 8,434,500 Shares of which:

- n. 5,760,000 ordinary Shares newly issued by the Company, originating from the Capital Increase;
- n. 2,000,000 Shares placed for sale by the Selling Shareholder;
- n. 674,500 Shares under the Over-allotment Option granted by Civitanavi LTD.

Based on the Offer Price, the total amount of the Institutional Placement is approximately Eur 33.7 million and the free float is 27.42% of Civitanavi's share capital, with the Company's capitalisation, calculated on the Offer Price at the start of trading, being approximately Eur 123 million.
The net proceeds raised by the Company in relation to the Capital Increase, net of the commissions paid to the Joint Global Coordinators and the Sponsor, amounted to Eur 22 million.

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

In July 2022 Civitanavi Systems and Honeywell announced a collaboration to develop new inertial navigation solutions, attitude heading reference systems, and inertial navigation systems for commercial and defense customers (dual-use). The high-performance, tactical-grade Inertial Measurement Unit (IMU) HG2800 will be the first product launched under this collaboration and will be used on a wide range of commercial and military aircraft, among other applications. The IMU HG2800 includes fiber-optic technology (FOG) gyroscopes and micro-electromechanical system (MEMS)-type accelerometers designed to improve low-power, low-noise targeting, stabilisation, and short-duration navigation.

Civitanavi Systems joins European Defense Fund research team to demonstrate a quantum vector inertial and gravimetric navigation system (Q-SING)

In August 2022, Civitanavi Systems S.p.A. joined the European Defense Fund research group to demonstrate a quantum vector inertial and gravimetric navigation system (Q-SiNG).
The European Defense Fund has selected 61 research and development projects in Aerospace and Defense that will benefit from the 1.2 billion euros funding made available by the European Union. Funds allocated to Civitanavi amounted to Eur 900 thousand. The contribution is aimed at all high-level defense sector initiatives, such as the design of future generation combat aircraft, tanks, and ships, as well as critical defense technologies such as the military cloud, artificial intelligence, semiconductors, space, cyber or medical countermeasures.
The program promotes the most disruptive technologies, particularly quantum technologies and new materials, and makes use of the innovative capacity of SMEs and start-ups with high growth potential.
As part of the program, the company became part of the Q-SiNG project, "Quantum-based Simultaneous inertial Navigator and vector Gravimeter," aimed at realising a high-precision free-inertial navigation system capable of operating in GNSS-denied areas (areas where the satellite signal is compromised) on all types of military vehicles, from submarines to aircraft.

Adoption of Organisational Model 231/2001 and appointment of the Supervisory Board

In July 2022, the company approved the adoption of the "Organisation, Management and Control Model" prepared in accordance with Legislative Decree. n. 231/2001, in its general and special parts (in short, the "231 Model"), and updating the Code of Ethics. In compliance with what is provided for in the Model 231, the Administrative Body of Civitanavi Systems S.p.A. also appointed the Supervisory Board in the person of lawyer and PhD in criminal law Antonio Francesco Morone, for a period corresponding to the term of the Board of Directors in office, with the task of supervising the proper implementation, effectiveness and observance of the 231 Model within the Company as well as taking care of its updating. The approval of

Model 231 and the Code of Ethics allows the Company to consolidate its internal control and governance system to protect all stakeholders.

Agreement with IEROM LTD to strengthen the offer in the field of urban air mobility

In August 2022 the company signed an agreement with IEROM LTD, a company specialising in urban air mobility based in London. IEROM LTD, is an innovative start-up company with extensive experience in urban air mobility, particularly in the production of electric helicopters. Recently, the company signed a consultancy contract with Professor Barry Evans of the University of Surrey, with the aim of improving the connectivity of its proprietary anti-collision systems by adding satellite connectivity to the existing 4G/5G connectivity, utilising terminals developed by specialised industries such as Atmosphere, TTP, Skytrack, BSN connected to Iridium and Inmarsat's LEO and GEO satellite systems. The purpose of the signed agreement is to explore the possibility of integrating IEROM Ltd's anti-collision systems into Civitanavi Systems' more advanced navigation systems to offer a broader spectrum of services in domestic and international aerospace and defense industries, such as avionics, urban air mobility, spacecraft, and hydrographic and geological exploration.

Civitanavi Systems Ltd acquires 12.7% of shares from PSJC Perm Scientific-Industrial Instrument Making Company (PNPPK).

In October 2022 Civitanavi Systems Ltd, the majority shareholder of Civitanavi Systems S.p.A. announced that it has acquired the entire 12.7% stake in its share capital held by PJSC Perm Scientific-Industrial Instrument Making Company (PNPPK) based in Perm, Russia. PNPPK was one of the founding shareholders of the company and made the initial investment in 2012. The transaction made the two co-founders, Andrea Pizzarulli and Mike Perlmutter, and founding investor Thomas Jung (and his Jung Technology Holding), the sole shareholders of Civitanavi Systems Ltd.

Civitanavi Systems S.p.A. Announces the loan agreement signed by Civitanavi Systems Ltd convertible into company shares

In December 2022, the company announced that its majority shareholder, Civitanavi Systems Ltd, which holds a 73% stake in CNS's share capital, has completed a financing contract that provides for the repayment of the financed amount through the issuance of the company's shares. The loan in the amount of Eur 5,063 thousand is to be fully converted into shares of the Company by February 28, 2024. As a result of the operation, the maximum percentage of CNS's share capital held by the financier, who currently holds a stake of 0.98% of the share capital, will be equal to 5.09% of the same.

Civitanavi Systems signs Ruling Agreement with Italian Revenue Agency on Patent Box

In December, the company signed a ruling agreement with the Italian Revenue Agency that allows the company to access the tax benefits provided for by the Patent Box regime for intellectual property (patents and know-how). The tax benefit for the five-year period 2017-2021 has been accounted for in these 2022 financial statements in the amount of Eur 1,327 thousand; on this point, please refer to §7.10 Income tax for the year in the notes to the financial statements. Introduced by the Italian Government with the Stability Law of 2015, the Patent Box is an optional tax regime that allows for the exclusion from taxation of a portion of income derived from the use of intellectual property, including industrial patents, trademarks, designs and models, as well as processes, formulas and information related to legally protectable industrial, commercial or scientific experience.

Significant Events Subsequent to the Close of the Financial Year

Civitanavi Systems continues its development path and strengthens corporate welfare

In January 2023, the company confirms the centrality of people and the importance of a corporate welfare system that promotes the well-being of its employees. To this end, the company has signed a collective insurance policy with Intesa Sanpaolo aimed at protecting employees from the economic consequences that can arise from serious illnesses. The company's management has decided to provide concrete support to all employees, who are located at the headquarters in Pedaso (Fermo) and offices in Ardea (Rome) and Casoria (Naples), guaranteeing them economic support and coverage of medical expenses for specialist visits and check-ups. The company will avail itself of the welfare solutions proposed by Intesa Sanpaolo, which can provide assistance in dealing with moments of particular need related to the onset of serious illnesses and shares the ethical and social values of doing business.

Civitanavi Systems invests in the capital of Pv-Labs and enhances technological know-how in advanced imaging systems

In January 2023, the company announced the signing of a binding agreement to purchase a 30% minority stake in PV-Labs Ltd for a sum of USD 2.5 million. PV-Labs Ltd is a Canada-based company, a leader in the design and manufacture of gyro-stabilised gimbals and advanced ISR&T (Intelligence Surveillance Reconnaissance and Targeting) imaging systems. The agreement includes a call option to purchase the remaining 70%, exercisable within five years. The two companies will begin to collaborate and strengthen their technological and product development know-how right away. The transaction is expected to close within 90 days of approval of the Investment Canada Act ("ICA" equivalent to Italy's "Golden Power") application. PV-Labs is an SME (Small and Medium Enterprise) founded by Mark Chamberlain (former founder and CEO of WESCAM Inc, now L3Harris WESCAM) and has designed a unique line of Airborne ISR&T products based on PV-Labs' newly patented gimbal stabilisation technique called "Fifth-generation Advanced Stabilisation Technology", or "FAST", to meet the growing demand for high-performance ISR&T products worldwide, organically and through licensing to other ISR&T players to meet localisation and other market demands. The key components of PV-Labs' FAST technology are the inertial sensors, which will now be supplied by Civitanavi to provide a scalable family of ISR+T products with the highest performance, smallest size, lowest weight, and cost in the category. The investment by Civitanavi significantly reduces the time to market of the product range, and the companies will be able to take advantage of Civitanavi's established production capacity. In the future, the technological synergy between the two companies will lead to an even closer integration of inertial sensors with next-generation camera payloads, to provide the most advanced stabilised images and navigation capabilities even in GNSS-denied environments. Civitanavi Systems' investment in PV-Labs expands the market that Civitanavi can target for its products from USD 4.5 billion in inertial systems in 2027 (source: High-End Inertial Sensing 2022, Yole Intelligence, June 2022) to a market exceeding USD 25.8 billion (source: Global Electro Optical/Infrared (EO/IR) Systems Market Outlook, Expert Market Research), with double-digit growth.

<u>Starting the operations of the subsidiary Civitanavi UK Ltd.</u>

During 2022, the subsidiary Civitanavi UK LTD in the United Kingdom was established, a company based in Bristol dedicated to both commercial and design activities, with the future goal of also becoming a production unit.
In January 2023, Civitanavi UK Ltd employed 4 engineers dedicated mainly to design activities and the lease contract for the company's headquarters located in Bristol is currently being signed.

This project is part of the objectives presented during the IPO, allocating part of the proceeds to increase production capacity (also through the opening of new locations abroad, including the United Kingdom) in order to strengthen its competitiveness in the UK, which is significant for current and potential clients. It will be recalled that Civitanavi Systems has been selected by BAE Systems as the supplier of inertial systems for the Tempest demonstration program, a sixth generation combat aircraft.

<u>Stock option Plan</u>

On February 1, 2023, Civitanavi Systems Ltd signed with the employees who were beneficiaries of the original Plan, an addendum in which the Parties mutually agreed to change the option rights assigned - free of charge - to the employees, providing for the allocation, downstream of the relevant exercise of the options, of Civitanavi Systems S.p.A. shares, in lieu of shares in the parent company Civitanavi Systems Ltd. The employees, on February 1, 2023, therefore exercised the option rights assigned to them, at the closing stock market price on January 31, 2023 of Eur 3.45. For more details, please refer to §13.Stock Option Plan in the notes to the financial statements.

Foreseeable evolution of business performance, "Booking" and "Hard Backlog"

Looking ahead, the Company remains confident about medium- to long-term demand trends in its industry, fueled by its key distinctive competitive features and strong agreements with international players.

In 2023, revenue volumes are expected to grow, supported by the development of backlog activities on programs and a good flow of new orders. The guidance for 2023 total revenues was updated during the approval of the 2023 Budget (December 22, 2022), in order to better reflect the changed macroeconomic scenario compared to what was published at the beginning of February 2022, forecasting a target within the range of Eur 42-46 million.
Total Revenues for 2023, considering the mid-range of the range, show an increase of 28% compared to the actual 2022 and 75% compared to 2021.

Despite facing challenges related to the availability of crucial raw materials in the market, profitability has been sustained at favorable levels, thanks to efforts aimed at streamlining industrial processes and enhancing the competitiveness of core products. Furthermore, the projected Ebitda Adjusted Margin for 2023 has been revised upwards, to approximately 29%.

The new target for 2023 reflects the changed scenario of energy costs, inflation and the "shortage" of the electronics component that continues to persist. It should be noted that some significant opportunities initially planned for 2023 have been postponed to subsequent years due to the slowdown of the supply chain, which in turn causes a delay in the introduction of the product to the market. The slowdown does not represent a loss of market or cancellation of opportunities, but a mere temporal shift. Therefore, the medium to long term scenario remains unchanged and positive.

The above estimates include only organic growth assumptions and therefore do not include any M&A transactions.

Booking

An important indicator of the Company's business growth is given by the evolution of customer orders acquired within a financial year, whether they have been fulfilled or not within the same period. (so-called. "Booking").

The table shows the growth trend of booking and its impact on total revenues.

in Eur millions	**2019**	**2020**	**2021**	**2022**
Booking	13.5	18.1	29.8	41.0
% of Total Revenues	78%	95%	119%	120%

The trend over the years shows a significant growth of orders that is more than proportional compared to the Total Revenues of the reference year. Booking for 2022 is reported to be Eur 41.0 million, a record in terms of orders acquired in one year. Also, "Book to Bill" growing (% of Total Revenues), compared to the growth of Revenues, represents the main indicator of positive evolution of the business and the Company's ability to "convert" the Booking (Orders) into Revenues.

Booking as of the date of preparation of this document (March 16, 2023) is Eur 16.7 million, an excellent result that confirms the company's constant growth trend.

Hard Backlog

"Hard Backlog" refers to outstanding contracts related to orders that have not yet been delivered to customers (and orders to which the Company assigns a 100% probability of occurrence) net of revenues already recorded in the Company's income statement.

As of 31 December 2022, the countervalue of the "Hard Backlog," i.e., contracts and product purchase orders already formalised between the Company and its customers, net of the value of revenues already recorded as of the same date (subject to assumptions of reduction, suspension or termination), amounted to a total amount of Eur 24.3 million (Eur 18.6 million as of 31 December 2021). This Backlog mainly refers to the "Aerospace and Defense" division since the "Industrial" division has a short-term lead time and is realised, on average, within three months after the order is signed.

Seasonality of the target business - Cash flows related to business activities

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

Analysis of economic, equity and financial data

The following tables, reclassified according to the current practice of financial analysis, report the economic, equity, and financial data for the year ended December 31, 2022, compared to December 31, 2021.

Analysis of reclassified economic data

in Eur thousands and as percentage of Total Revenues	**As at 31 December 2022**	**%**	**As at 31 December 2021**	**%**
Operating revenues	34,132	99%	24,998	99%
Other revenues and income	280	1%	144	1%
Total revenues	**34,412**	**100%**	**25,142**	**100%**
Raw material costs and change in inventories	14,072	41%	8,669	34%
Service costs	5,503	16%	3,627	14%
Personnel cost	5,537	16%	4,673	19%
Other operating costs	242	1%	411	2%
Total operating costs	**25,353**	**74%**	**17,380**	**69%**
Operating result before amortisation and depreciation and write-downs (EBITDA)	**9,059**	**26%**	**7,762**	**31%**

Write-downs of net financial assets	56	0%	49	0%
Amortisation and Depreciation and write-downs	1,019	3%	1,019	4%
Operating Profit (EBIT)	**7,984**	**23%**	**6,695**	**27%**

Financial income	383	1%	100	0%
Financial expenses	(428)	(1%)	(204)	(1%)
Profit (Loss) before taxes	**7,939**	**23%**	**6,591**	**26%**

Income taxes	(964)	(3%)	(1,712)	(7%)
PROFIT / (LOSS) FOR THE YEAR (A)	**6,975**	**20%**	**4,879**	**19%**

Other Profits/(Losses) in the Comprehensive Income Statement, net of tax effect	**6,975**	**20%**	**4,879**	**19%**
Profits/(Losses) from re-measurement of liabilities for defined benefit schemes for employees	183	1%	(18)	(0%)
Cash Flow Hedges	(61)	(0.2%)	26	0.1%
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR (A) + (B)	**7,097**	**21%**	**4,886**	**19%**

The company closed 2022 with total revenues of Eur 34,412 thousand, up by Eur 9,270 thousand compared to Eur 25,142 thousand as of December 31, 2021. The EBITDA amounts to Eur 9,059 thousand compared to Eur 7,762 thousand as of December 31, 2021. EBIT amounted to Eur 7,984 thousand (Eur 6,695 thousand as of 31 December 2021).
Net income for the year reached Eur 6,975 thousand, an increase from the previous year where it was Eur 4,879 thousand.

Analysis of reclassified equity data

in Eur thousands	As at 31 December 2022	As at 31 December 2021	Changes 2022 vs 2021	
Trade Receivables	11,052	9,636	1,416	14.7%
Assets for work in progress on order	23,159	17,285	5,874	34.0%
Inventories	7,529	5,549	1,981	35.7%
Trade payables	(7,516)	(3,341)	(4,175)	125.0%
Advance payments on work in progress	(22,129)	(14,565)	(7,564)	51.9%
Net trade working capital	**12,095**	**14,563**	**(2,468)**	**(16.9%)**
Other receivables and current assets	3,838	3,143	695	22.1%
Tax payables	(244)	(672)	429	(63.8%)
Other current payables and liabilities	(5,112)	(2,617)	(2,496)	95.4%
Net working capital	**10,578**	**14,418**	**(3,840)**	**(26.6%)**
Tangible Assets	6,749	2,052	4,696	228.8%
Right of use assets	707	1,868	(1,160)	(62.1%)
Intangible assets	2,445	931	1,514	162.6%
Investments in subsidiaries and other financial assets	62	50	12	23.3%
Other non-current assets	0	0	0	0.0%
Deferred tax assets	2,522	2,717	(195)	(7.2%)
Defined benefit schemes	(822)	(878)	56	(6.4%)
Provisions for risks and charges	0	0	0	0.0%
Deferred tax liabilities	(53)	(1)	(51)	4459.6%
Net non-current assets	**11,610**	**6,739**	**4,871**	**72.3%**
Net invested capital	**22,187**	**21,157**	**1,031**	**4.9%**
Net debt	24,522	(2,853)	27,375	(959.5%)
Net equity	(46,710)	(18,303)	(28,406)	155.2%
Total net equity and net debt	**(22,187)**	**(21,157)**	**(1,031)**	**4.9%**

At the close of the 2022 financial year, the company had Net Fixed Assets of Eur 11,610 thousand, up from Eur 6,739 thousand in the previous year. The increase is mainly due to:

i) to the increase in Tangible Assets in the amount of Eur 4,696,000, of which Eur 3,385,000 related to the purchase of a building destined to be the company's new 'Headquarters' in the future, and for the remaining portion new investments in machinery and equipment made during the year;
ii) to Intangible assets, which increased by Eur 1,514 thousand due to the capitalisation of development costs.

The increase is partly offset by the reduction in the item Right-of-use Assets in light of the revised timeframe for renewal of the lease agreement for the Pedaso plant following the purchase of the building mentioned in *i)* above.

Please note the excellent performance of the Net Working Capital, which decreased as of December 31, 2022 to Eur 10,578 compared to Eur 14,418 as of December 31, 2021. The decrease, which reflects cash generation, is mainly attributable to the combined effect:

i) of the increase in Trade Receivables at the end of the 2022 year (Eur 1,416 thousand more than on December 31, 2021), which was not proportionate to the increase in sales mainly recorded in the fourth quarter of 2022;
ii) of the increase in Inventories which amounted to Eur 7,529 thousand (an increment of Eur 1,981 thousand compared to 31 December 2021) and in particular of semi-finished products and raw materials to meet production and sustainability needs of the company's business growth;
iii) of the increase in Trade payables, which grew by Eur 4,175 thousand during 2022 to stand at Eur 7,516 thousand as of 31 December 2022. This upward change can be attributed to growth in the volume of purchases to meet production needs in 2023;
iv) of the increase in Payables for Advances on Work in Progress (Eur +7,564) more than proportional to the increase in Assets for Work in Progress (Eur +5,874), in view of the progress of work on the contract and the contractually established advances;
v) of the increase in Other current liabilities, which grew by Eur 2,495 thousand during the year 2022 recording Eur 5,112 thousand as of 31 December 2022. This increase is mainly due to the growth in advances received from customers, which primarily refer to supplies of goods not yet delivered, and the increase in accrued liabilities, which includes adjustments to revenue for the year, particularly with regards to contributions for research and development expenses, in order to ensure the principle of accrual accounting.

Net equity as of 31 December 2022 increased mainly due to the result for the year and the capital increase following the listing on the Euronext Milan market. For further details, please refer to the dedicated paragraph in the Notes to the Financial Statements.

Please refer to the following section for an understanding of the changes in net financial debt.

Analysis of net debt and net financial position

Below is the financial information prepared according to the "Statement of Indebtedness" template required by CONSOB Communication No. DEM/6064293 of July 28, 2006, updated with the provisions of ESMA Guideline 32-382-1138 of March 4, 2021 as implemented by CONSOB Attention Call No. 5/21 of April 29, 2021. Below is the table:

in Eur thousands	As at 31 December 2022	As at 31 December 2021	Changes 2022 vs 2021	
A. Cash and cash equivalent	(1)	(2)	1	(50%)
B. Cash equivalents	(25,920)	(1,717)	(24,203)	1410%
C. Other current financial assets	(654)	(1,346)	692	100%
D. Liquidity (A)+(B)+(C)	**(26,575)**	**(3,065)**	**(23,510)**	**767%**
E. Current debt (including debt obligations, but excluding the current part of the noncurrent debt)	150	967	(817)	(84%)
F. Current part of non-current debt	271	367	(96)	(26%)
G. Current debt (E)+(F)	**421**	**1,334**	**(912)**	**(68%)**
H. Net current debt (G)-(D)	**(26,154)**	**(1,732)**	**(24,423)**	**1410%**
I. Non-current debt (excluding current part and debt obligations)	1,632	2,926	(1,294)	(44%)
J. Debt obligations	0	1,659	(1,659)	0%
K. Trade and other non-current payables	0	0	0	0%
L. Non-current debt (I)+(J)+(K)	**1,632**	**4,585**	**(2,953)**	**(64%)**
M. Total debt (H)+(L)	**(24,522)**	**2,853**	**(27,375)**	**(960%)**

The item "M. Total Financial Debt (H)+(L)" as of 31 December 2022 shows a negative balance of Eur 24,522 thousand compared to the positive balance (indebtedness) of Eur 2,853 thousand as of 31 December 2021, a decrease of Eur 27,375 thousand.

This decrease in debt is mainly due to the combined effect:

i) of the increase in "Cash and cash equivalents" by Eur 23,510 thousand due to the company's ability to generate cash and the collection at the time of listing on the Euronext Milan market in February 2022, amounting to Eur 22 million net of placement commissions;
ii) of the decrease of Eur 3,865 thousand in current and non-current financial debt, mainly related to the repayment of medium/long-term loans according to ordinary amortisation schedules, early repayment of the debt instrument "UniCredit Bond Loan." This decrease was partially offset by the disbursement of a loan granted by Simest, as part of

a program aimed at promoting the participation of SMEs in international trade fairs. The loan had an original value of Eur 37.5 thousand as an advance on the expenses expected for the Company's participation in the "Farnborough International Airshow 2022 (United Kingdom)" fair.

The company does not have any loan agreements in place that require compliance with economic-financial constraints.

It should be noted that as of 31 December 2022, the Company's net financial debt, calculated net of the effect of the application of IFRS16, was negative Eur 25,380 thousand (positive Eur 851 thousand as of 31 December 2021).

Reclassified cash flow statement

The reclassified cash flow statement as of 31 December 2022, compared to the previous year, is reported below.

in Eur thousands	**as at 31/12/2022**	**as at 31/12/2021**	**change**
Profit before taxes	**7,939**	**6,591**	**1,348**
Amortisation and Depreciation and write-downs	1,019	1,019	0
Other non-monetary changes	201	1,223	(1,022)
Operating Cash Flow	**9,159**	**8,832**	**327**
Change in inventories	(2,093)	(2,698)	605
Change in trade receivables	(1,472)	(3,157)	1,685
Change in Assets for work in progress on order and Advance payments on work in progress	1,690	(2,078)	3,768
Change in trade payables	4,175	1,373	2,802
Change in other assets and liabilities	671	(2,298)	2,969
Change in Working Capital	**2,971**	**(8,858)**	**11,829**
Net (investments) in tangible fixed assets	(5,346)	(459)	(4,887)
Right of use (*)	996	(167)	1,163
Net (investment) in intangible fixed assets	(1,719)	(900)	(819)
Net change in other intangible fixed assets	(12)	0	(12)
Net change in other non-current liabilities	17	(33)	50
Total non-current assets/liabilities	**(6,064)**	**(1,559)**	**(4,505)**
Changes in Equity Capital	**21,309**	**0**	**21,309**
FREE CASH FLOW	**27,375**	**(1,586)**	**28,960**
Initial net financial position	**2,853**	**1,268**	**1,585**
Cash flow for the period	(27,375)	1,586	(28,960)
Final net financial position	**(24,522)**	**2,853**	**(27,375)**

(*) Accounting for lease contracts as per IFRS 16 is not included in the Financial Statement of Balance Sheets, since there is no monetary financial movement at the time of recognition of the right-of-use value

As of 31 December 2022, the company generated Free Cash Flow totaling Eur 27,375 thousand, an increase of Eur 28,960 thousand compared to 31 December 2021.

Excluding the change in equity resulting from the IPO process, which amounted to Eur 21,309 thousand, a free cash flow of Eur 6,066 thousand was generated as of December 31, 2022, compared to a free cash flow absorption of Eur 1,586 thousand in the previous year.

The working capital generated a cash flow of Eur 2,971 thousand, an increase compared to 2021 when a cash absorption of Eur 8,858 thousand was recorded. The change in 2022 compared to 2021 is Eur 11,829 and is mainly due to the following positive effects that have contributed to the significant cash generation:

i) Eur 1,685 thousand referred to the increase in trade receivables that grew less than proportionally to the increase recorded in 2021, thanks to trade agreements with more favorable terms of collection;

ii) Eur 3,768 thousand referred to the item "Change in Assets for work in progress on order and Advance payments on work in progress" (Assets for contract work in progress net of Advances on contract work in progress), which shows a higher incidence of advances on contract work collected from customers on the basis of contracts (downpayment on new contracts);

iii) Eur 2,802 thousand for more cash generated by the increase in trade payables increased in connection with the growth in the volume of purchases to meet production needs.

iv) Eur 2,969 thousand increase recorded in current liabilities, net of the increase in current assets, mainly attributable to the use of tax credits generated in 2021 as a result of supplementary tax returns filed in 2022. It is also specified that the item in 2021 included suspended costs among other assets related to the stock exchange listing (in accordance with IAS 32) for an amount of approximately 500 thousand euros, which were closed in 2022.

During the year ended December 31, 2022, the net investment activity and the net change in other non-current liabilities absorbed a total of Eur 6,064 million in liquidity, an increase compared to the previous year, in which the net investment activity and the net change in other non-current liabilities absorbed a total of Eur 1,559 million in liquidity. Therefore, the change in cash absorption was Eur 4,505 million, mainly due to the purchase of an instrumental property explained in the previous paragraphs, partially offset by the remeasurement of the Pedaso lease contract liability to reflect the estimated duration and cash flows, and adjust the carrying value of the Right of Use.

Alternative Performance Measures (APM)

APMs (Alternative Performance Measures) are measures utilised by a company's management to assess its performance and trends, which are directly derived from financial statements, although they are not mandatory under IAS/IFRS. It is important to acknowledge that APMs, as defined, may not be equivalent to other measures with similar names employed by different companies.

Below are the main economic indicators of the Company, relating to the financial year ended on 31 December 2022 and the financial year ended on 31 December 2021.

In Eur thousands, ratios and percentages	**As at 31 December 2022**	**As at 31 December 2021**	**Changes 2022 vs 2021**	
EBITDA (1)	9,059	7,762	1,297	16.7%
EBITDA margin (1)	26.3%	30.9%		(4.5) p.p.
EBITDA Adjusted (2)	9,948	7,990	1,958	24.5%
EBITDA Adjusted margin (2)	28.9%	31.8%		(2.9) p.p.
EBIT (3)	7,984	6,695	1,289	19.3%
EBIT margin (3)	23.2%	26.6%		(3.4) p.p.
EBIT Adjusted (4)	8,873	6,923	1,950	28.2%
EBIT Adjusted margin (4)	25.8%	27.5%		(1.8) p.p.
Net profit	6,975	4,879	2,096	43.0%
Net profit margin	20.3%	14.2%		6.1 p.p
ROS (5)	23.4%	26.6%		(3.2) p.p

EBITDA Adjusted for FY2022 was Eur 9,948 thousand, an increase of Eur 1,958 thousand (with a percentage growth of 24.5%) compared to EBITDA Adjusted for FY2021 (equal to Eur 7,990 thousand), while EBITDA Adjusted Margin for FY2022 was 28.9%, a decrease compared to EBITDA Adjusted Margin for FY2021 (equal to 31.8%).
The increase in absolute value is mainly due to the growth in Total Revenues, while the decrease in percentage terms can be attributed to the changed scenario of energy costs, inflation and the ongoing electronic component shortage.

Net profit amounted to Eur 6,975 thousand, an increase of 43% compared to 31 December 2021.

Below are the main economic indicators of the Company, relating to the financial year ended on 31 December 2022 and the financial year ended on 31 December 2021.

In Eur thousands, ratios and percentages	**31.12.2022**	**31.12.2021**	**Changes 2022 vs 2021**	
ROE (6)	14.9%	26.7%		(11.7) p.p.
ROI (7)	36.0%	31.6%		4.3 p.p.

The decrease in ROE can be attributed to a more-than-proportional increase in the Net Equity compared to the increase in the net profit, following the capital increase resulting from the listing on the Euronext Milan market on February 17, 2022.

(1) EBITDA is a useful measure for evaluating a company's operating performance. It is calculated as the profit or loss for the period before income taxes, financial income and expenses, depreciation and amortisation, write-downs and write-ups of financial assets. EBITDA *margin* is an indicator that measures the Company's operating profitability as a percentage of total revenues earned in the reporting year/period and is defined as the ratio of EBITDA to total revenues.

(2) EBITDA Adjusted is calculated as profit or loss for the year/period before income taxes, financial income and expenses, depreciation and amortisation, net impairments and write-downs of financial assets, foreign exchange gains or losses, the effects of nonrecurring transactions, and the effects of certain events and transactions that Management considers unrelated to the Company's operating performance. Below are the elements considered in the calculation of the indicator by the Company:
-31 December 2021, non-recurring costs of Eur 228 thousand were recorded in connection with a tax amnesty;

-31 December 2022 non-recurring costs amounting to Eur 889 thousand were recorded, relating to: part of the costs for the listing on the Euronext Milan market in the amount of Eur 628 thousand (for more details see section 6.12 Net Equity of the Notes to the Financial Statements), consulting costs on non-recurring transactions (patent box in the amount of Eur 146 thousand, ongoing M&A transactions in the amount of Eur 85 thousand) and other costs in the amount of Eur 30 thousand.

(3) EBIT represents a useful measurement unit for evaluating the Company's ability to generate profit solely from operational management, excluding financial charges and taxes. EBIT *margin* expresses EBIT as a percentage of total revenue earned during the reporting year/period.

(4) EBIT *Adjusted* is calculated as the profit or loss for the period before income tax, financial income and expenses, gains or losses on currency exchange, effects of non-recurring transactions, and effects of certain events and operations that the Management considers not related to the Company's operational performance. Regarding non-recurring items, please refer to 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 of the profit for the year/period to the net equity.

(7) ROI is a ratio that indicates the profitability and economic efficiency of the characteristic management by relating EBIT to net invested capital (the sum of net fixed capital and net working capital).

The following are the primary alternative performance indicators that are associated with the financial statements for the years ending on December 31, 2022, and December 31, 2021.

In Eur thousands, ratios and percentages	**31.12.2022**	**31.12.2021**	**Changes 2022 vs 2021**	
Net Debt (1)	(24,522)	2,853	(27,375)	(959.5%)
Net Debt / Equity	(0,5)	0.2	(0,7)	(430.4%)
Net Debt / EBITDA	(2,7)	0.4	(3,1)	(836.4%)
Average trade receivable collection days (2)	118.2	139.9	(21,7)	(15.5%)
Trade receivables turnover indicator (3)	3.1	2.6	0.5	18.4%
Average trade payable payment days (4)	140.1	99.2	41.0	41.3%
Trade payable turnover indicator (5)	2.6	3.7	(1,1)	(29.2%)
Warehouse turnover indicator (6)	1.9	1.6	0.3	19.6%
Net non-current capital (7)	11,610	6,739	4,871	72.3%
Net trade working capital (7)	12,095	14,563	(2,468)	(16.9%)
Net working capital - NWC (7)	10,578	14,418	(3,840)	(26.6%)
Net invested capital - NIC (7)	22,187	21,157	1,031	4.9%

(1) As calculated in the Analysis of Net Debt and Net Financial Position section of this document.

(2) The average days of collection of trade receivables indicate the average time for the collection of trade receivables from the Company's customers expressed in days. It is calculated as the ratio of (i) trade receivables to (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 to (ii) year-end trade receivables.

(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 to (ii) costs of raw materials, supplies, consumables and goods, changes in inventories, and costs of trade-related 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 It is calculated as the ratio of (i) costs of raw materials, supplies, consumables, and goods, changes in inventories, and costs of trade-related services; and (ii) year-end trade payables.

(6) The warehouse turnover indicator expresses the number of times inventories are renewed during the year. The indicator is calculated as the ratio of the sum of (i) cost of raw materials, supplies, consumables and goods and (ii) change in inventories and (iii) the year-end inventories.

(7) As calculated in the section Analysis of Reclassified Equity Data.

Investments

The investments related to tangible assets for the fiscal year ended on December 31st, 2022, amounting to EUR 5,349 thousand, mainly concerned the purchase of production machinery and equipment for the expansion of the production area, as well as the acquisition of a property for instrumental use. These investments were aimed at increasing the company's production capacity.
Investments in Intangible Assets, amounting to Eur 1,719 thousand, are mainly related to the development activity carried out during 2022. These costs have been capitalised respectively under the "Development Costs" category in the amount of Eur 400 thousand and under the "Fixed assets in progress" category in the amount of Eur 1,183 thousand as they related to development projects still ongoing at the closing date of the financial statements.

Research and development activities

The Company continued its intensive research and development activities, the main projects followed by the Company during the year 2022 are listed below:
A - New high-integration architectures
Project dedicated to the research, conception, design and prototyping of innovative technologies for high-integration architectures, modularity, and intrinsic redundancy for inertial navigation and the definition of related hardware and software

certification processes. The new and rapidly expanding sector of Unmanned Aircraft Systems (UAS) with vertical takeoff and landing, electric Vertical Takeoff and Landing (eVTOL), requires a new, simpler, and more compact avionics for flight control, navigation, and vehicle management. Avionic equipment in the market (state of the art) is not suitable to meet all the requirements for UAS.
The activities carried out and the innovative technical solutions of this experimental development project (product innovation) have successfully defined new architectures and solutions aimed at significantly evolving inertial platforms
towards increasing compactness and integration, while also maintaining a particular focus on "safety" characteristics (benefits for the entire reference sector) and certification.
This project is preparatory to the development of new applications in order to acquire new customers or to sell them from scratch to existing customers.

B - High Performance INS Self-Calibration Algorithms and Tools (submarine applications)
The project consists of researching a technical solution for inertial navigation systems in the naval sector, particularly for installations on board submarines, that allows overcoming some critical issues that limited the achievement of high performance in terms of accuracy in estimating the geographical position for long periods of navigation without the availability of aids from satellite navigation systems (GNSS/GPS).
The main critical issue is related to the fact that the inertial navigation system, to improve the accuracy of the provided data, requires a long period of navigation and movement in different directions, with the help of the GNSS receiver, in order to estimate the errors of the sensors on the various axes.
The technical solution behind this project allows for autonomous execution of the necessary rotations to estimate measurement errors in position and thus compensate for them to achieve improved performance.

C - High performance accelerometers in MEMS technology
Study and prototyping of a newly developed miniaturized accelerometer in MEMS (Micro Electrical Mechanical System) technology with such accuracies that, in combination with Project FOG-PIC, dedicated to Fiber Optic Gyro (FOG) based technology, create competitive advantages and enabling solutions for more reliable, more accurate and more compact navigation systems with reduced weight and power consumption.
This project relates to a cross-cutting technology that will replace the one currently used on existing customers.

D - MIMU-M
The MIMU-M project is in a market for inertial navigation products, such as Attitude and Heading Reference Systems (AHRS), based on MEMS technology that, by nature of the sensor, covers a 'medium' accuracy range. With this project, the aim is to elevate MEMS technology to a significantly higher level of accuracy, reliability, and performance through a series of innovative and original technological solutions that mainly concern the MEMS sensor and its correlation in AHRS.
This project is related to the development of new applications in order to acquire new customers or to sell them from scratch to existing customers.

E - TIGHTLY COUPLED
The project concerns the development of an innovative architecture for the tight integration of GNSS with an inertial navigation system, by using lower-level complex data received from GNSS receivers and the development of a simulation environment to verify the operation of such advanced systems in all possible operational scenarios. This project is related to the development of new applications in order to acquire new customers or to sell them from scratch to existing customers.

F - FOG-PIC
The project concerns the experimental development of a sub-assembly, called "FOG-PIC" (Fiber Optic Gyroscope Photonic Integrated Circuit), and consists of the technological development, design, prototyping and testing of an innovative photonic device to be used as a strategic component within a triad of gyroscopic sensors, for advanced aerospace applications in the aviation sector. These devices are used within Inertial Measurement Unit (IMU) and Inertial Navigation System (INS), for stabilisation and inertial navigation. The project led to the filing of a patent (still under verification by the competent authorities) and involves two generations of devices based on completely different technologies, namely:
-The first-generation FOG-PIC device, which involves the integration of critical optical components on a traditional optical substrate and was partly co-funded by the Law of Dec. 24, 1985 no. 808, with funds from MISE for industry in aerospace, defense and security.
-The second-generation FOG-PIC device involving the integration of critical optical components on an exotic optical substrate was co-funded by funds derived from Secretariat General of Defense within the National Plan for Military Research (PNRM).
This project relates to a cross-cutting technology that will replace the one currently used on existing customers.

G - Evolution mining products #1 and #2
The project aims to innovate and improve the technologies and solutions available for the instrumentation industry to support mining and oil exploration. The goal is to meet the customers' needs by offering systems with increasingly high levels of reliability and repeatability that are perfectly suited to their operational requirements.

One of the goals is to create a new family of inertial products with easier use, which can be powered through batteries instead of power cables, with obvious gains in portability and usability in the marketplace due to lighter weight, reliability, and lower operating costs.

H - Global Navigation Satellite System (GNSS) receiver

The project concerns the development of a proprietary GNSS satellite receiver to be integrated into the inertial systems already produced by Civitanavi Systems. The integration between inertial sensor measurements and GNSS receiver measurements allows the development of robust navigation systems in two critical situations that typically occur in aeronautical applications, namely high dynamics conditions and the presence of interfering signals. The integration architecture that offers the most advantages cannot be realised with discrete modules because it requires access to baseband processing of the GNSS signal, which is usually not available in commercially produced third-party receivers. This requires the development and control of the entire GNSS signal processing chain, from signal reception at the antenna to the calculation of Position, Velocity, and Time (PVT). The development of these GNSS products "intimately" integrated with inertial systems (INS) already developed by the Company is essential to ride the growing trend of A-PNT (Assured Position Navigation and Timing) in contexts where GNSS is not always available and when available, it can be disturbed or falsified: it is crucial to understand when GNSS can be used reliably (thanks precisely to the intimate integration with INS) and to eventually use only INS in case GNSS is compromised.

Social, political and trade union climate

Civitanavi Systems has initiated the sustainability accountability reporting process, which includes the publication of the first Sustainability Report, relating to 2022, in the second quarter of 2023. Although it does not fall under the current legal obligations for the preparation of the Non-Financial Statement (Legislative Decree 254/2016), the decision was made to strengthen the Company's commitment to sustainable development.

The information related to the ESG (Environmental, Social, Governance) areas allows for a better understanding of the activities carried out by Civitanavi Systems, its performance, its results, and the impact produced by them. This allows those who have access to such data to make assessments and informed decisions regarding the impacts produced by Civitanavi Systems.

The commitment of Civitanavi Systems

The social aspects related to the work environment and the conditions that can guarantee adequate management of aspects related to diversity, equity, and inclusion, as well as the development of skills through specific training plans, represent one of the main areas of commitment. Civitanavi Systems has defined some lines of action represented in the infographic. This commitment is consistent with the objectives defined by the United Nations Agenda 2030 / SDGs (Sustainable Development Goals).

An essential condition for the management and business model is represented by ensuring the quality and conformity of products in terms of technical specifications, methods of use, and the health and safety of the end user. The process of analyzing, evaluating, and prioritizing the ESG impacts of Civitanavi Systems includes not only those related to human resource management but also environmental issues (particularly energy and climate change), those concerning the strengthening of corporate governance, and other social and environmental issues related to the supply chain and value chain.

Main risks and uncertainties

The Company's business is exposed to a series of financial risks that may affect its financial position, economic results, and cash flows through their impact on financial instrument transactions. Below are the main information regarding the financial risk management policies of the Company.

Credit risk

The company, considering that it operates both in national and international markets, is exposed to the risk that its customers may delay or not fulfill their payment obligations within the agreed terms and modalities, and that the internal procedures adopted with regard to the assessment of creditworthiness and solvency of customers may not be sufficient to ensure successful collections. The provision for write-downs of receivables reflects expected losses calculated over the useful life of these assets. The estimation of expected losses is based on a dual approach that includes an individual analysis of each position of the most relevant customers and a collective analysis that groups customers with similar characteristics. Individual positions, which indicate an objective situation of partial or complete non-recoverability, are eligible for write-downs on a case-by-case basis. In such a case, the amount of write-down takes into account an estimate of recoverable flows based on the delay in payments. All other positions are evaluated on a collective basis using a provision matrix based on the age of the receivables and past loss experience. The historical information used in defining the provision matrix is adequate to reflect current and prospective information on macroeconomic factors that affect customers' ability to settle their debts.
As of December 31, 2022, overdue receivables over 90 days net of the provision for write-downs of receivables amounted to Eur 578 thousand, of which Eur 451 thousand is attributable to credits towards customers with consolidated commercial relationships to whom further payment deferral is granted without any critical issues, and Eur 128 thousand to the VAT credit related to a commercial credit recorded as a loss in previous years, only the latter amount has a maturity of more than 365 days.

Please note that the total amount of trade receivables, which increased significantly in the fourth quarter of 2022 due to the increase in sales, decreased by approximately Eur 4,000 thousand in the first months of 2023, a sign of returning to normal operating trends.

Liquidity risk

The liquidity situation of the Company depends on the one hand on the resources generated or absorbed by operational and investment activities, and on the other hand on the maturity and renewal characteristics of debt or liquidity of financial investments, as well as market conditions. The Company's cash flows, financing needs, and liquidity are closely monitored and managed through:

- The maintenance of an adequate level of available liquidity;
- The diversification of financial resource raising instruments;
- Obtaining adequate credit lines;
- Monitoring of prospective liquidity conditions in relation to the business planning process.

Interest rate risk

The interest rate risk is the risk that the value of a financial instrument, and/or the level of cash flows generated by it, changes following market interest rate fluctuations.
The exposure to interest rate risk arises from the need to finance the operating activities, both in their industrial component and in the financial component of their acquisition, as well as to employ available liquidity. The variation in market interest rates may have a negative or positive impact on the Company's financial results, indirectly affecting the costs and returns of financing and investment operations. The Company regularly assesses its exposure to interest rate risk and manages these risks through the use of derivative financial instruments. The use of derivative financial instruments is limited to managing exposure to interest rate fluctuations related to cash flows and speculative activities are neither undertaken nor permitted.
It should be noted that in May 2022, upon the early repayment of the UniCredit Bond Loan, the Interest Rate Swap derivative connected to it was also terminated.
The company is not exposed to interest rate fluctuation risk.

Risk related to the trend in exchange rates

The company also operates in countries outside the so-called Eurozone, importing or exporting goods or services usually in Euros. In some limited circumstances, it has signed commercial contracts in currencies other than the Eur. The company is therefore exposed to the risk that significant fluctuations in exchange rates may occur, particularly the so-called economic exchange rate risk, which is the risk that revenues and costs denominated in currencies other than the euro may assume different values from the time when the price conditions were defined. In 2022, the company signed a multi-year contract with a leading aerospace company. The contract was made in U.S. dollars, and the company hedges against foreign exchange risk with a Forward derivative. It is specified that the underlying Forward refers to dollar sales that are traceable to two customers.

Details of the hedging derivative instruments subscribed are given below.

31 December 2022

In thousands	**Expiry date**	**Fair value in Eur**
Options on foreign currencies	29/12/2023	(62)
Options on foreign currencies	29/12/2025	(59)
Total		**(121)**

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

The risk consists in the difficulty in obtaining the raw materials, components, and/or semi-finished products required, or their unavailability, and therefore having to delay or interrupt one's production process, resulting in delays in the production process and delays in the agreed delivery times with customers. The unavailability, even if temporary, of raw materials, components, and semi-finished products required for the production cycle, or unforeseeable or unmanageable price increases, could significantly compromise the Company's ability to meet the market demand for its products.
In addition, the price of raw materials, components, and semi-finished products required to produce the Company's products, including in particular electronic components and raw materials for mechanical processing, is subject to the risk of fluctuations, even significant ones, which essentially depend on external factors beyond the control of the Company.
In this regard, it should be noted that the Company carries out periodic revisions of its estimates of requirements based on expected production volumes in order to ensure a constant availability of the materials necessary to maintain its production capacity. Apart from the slight challenge of acquiring electronic materials, which the Company has effectively managed through meticulous planning, there have not been any significant developments that may pose a risk to the production process or hinder the maintenance of sufficient inventory levels to sustain production trends.

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

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 Civil Code.
For more details, please see the paragraph "Transactions with related parties" of the Notes to the Financial Statements.

Chairman of the Board of Directors and CEO
Andrea Pizzarulli

Financial Statements

Statement of financial situation

(In Eur)	Notes	As at 31 December 2022	As at 31 December 2021
ASSETS			
Non-current assets			
Intangible assets	6.1	2,444,787	930,893
Right of use assets	6.2	707,371	1,867,827
Tangible assets	6.3	6,748,653	2,052,479
Investments in subsidiaries and other financial assets	6.4	61,665	50,001
Deferred tax assets	6.5	2,522,166	2,716,866
Total non-current assets		**12,484,641**	**7,618,066**
Current Assets			
Inventories	6.6	7,529,428	5,548,519
Trade receivables	6.7	11,051,575	9,635,848
Assets for work in progress on order	6.8	23,158,643	17,284,535
Other receivables and current assets	6.9	3,838,306	3,143,435
Current financial assets	6.10	654,324	1,346,041
Cash and cash equivalent	6.11	25,921,022	1,719,184
Total current assets		**72,153,297**	**38,677,561**
TOTAL ASSETS		**84,637,938**	**46,295,627**

(In Eur)	Notes	As at 31 December 2022	As at 31 December 2021
Share capital		4,244,000	500,000
Reserves		35,490,594	12,924,792
Net profit		6,974,949	4,878,619
Total net equity	6.12	**46,709,543**	**18,303,411**
Non-current liabilities			
Non-current financial liabilities	6.13	923,523	2,724,701
Non-current lease liabilities	6.2	708,323	1,860,075
Deferred tax liabilities	6.5	52,632	1,154
Defined benefit schemes	6.14	822,367	878,173
Provisions for risks and charges	6.15	0	0
Total non-current liabilities		**2,506,845**	**5,464,103**
Current liabilities			
Current financial liabilities	6.13	271,406	1,191,659
Current lease liabilities	6.2	149,854	142,002
Trade payables	6.16	7,515,577	3,340,891
Advance payment on assets for work in progress	6.8	22,128,827	14,564,765
Tax payables	6.17	243,625	672,248
Other current payables and liabilities	6.18	5,112,261	2,616,548
Total current liabilities		**35,421,550**	**22,528,113**
TOTAL LIABILITIES AND NET EQUITY		**84,637,938**	**46,295,627**

Income Statement

(In Eur)	Notes	As at 31 December 2022	As at 31 December 2021
Operating revenues	7.1	34,131,554	24,997,804
Other revenues and income	7.2	280,377	144,085
Total Revenues		**34,411,930**	**25,141,890**
Raw material costs and change in inventories	7.3	14,071,723	8,669,186
Personnel costs	7.4	5,536,738	4,672,884
Service costs	7.5	5,502,933	3,626,831
Other operating costs	7.6	241,627	410,705
Write-downs of net financial assets	7.7	55,875	48,994
Amortisation and Depreciation and write-downs	7.8	1,019,485	1,018,522
Operating profit		**7,983,549**	**6,694,767**
Financial income	7.9	382,921	99,714
Financial expenses	7.9	(427,946)	(203,978)
Profit before taxes		**7,938,525**	**6,590,503**
Income taxes	7.10	(963,575)	(1,711,884)
Net profit		**6,974,949**	**4,878,619**

Basic earnings per share		**0.23**	**9.76**
Diluted earnings per share		**0.23**	**9.76**

Statement of comprehensive income

(In Eur)	Notes	As at 31 December 2022	As at 31 December 2021
Net profit		**6,974,949**	**4,878,619**
Other comprehensive income/(loss) that will be subsequently reclassified to profit/(loss) for the period:		0	0
Profit/(loss) on the effective portion of cash flow hedge instruments	6.13, 6.12	(60,976)	25,963
Total other components of the comprehensive income statement		**(60,976)**	**25,963**
Other components of the comprehensive income statement that will not be reclassified in the income statement of subsequent financial years		0	0
Actuarial profits (losses) for defined benefit schemes	6.12, 6.14	182,932	(18,189)
Total other components of the comprehensive income statement		**182,932**	**(18,189)**
Comprehensive net profit		**7,096,905**	**4,886,392**

Statement of changes in equity

(In Eur)	**Notes**	**Share capital**	*Reserves*									**Total net equity**
			Share premium reserve	*Legal reserve*	*Extraordinary reserve*	*Cash flow hedge instruments reserve*	*EU-IFRS first-time adoption reserve*	*Actuarial profits and losses reserve*	*Other reserves*	*Retained earnings (losses)*	**Net profit**	
As at January 1, 2021	6.12	**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											4,878,619	4,878,619
Total other components of the comprehensive income statement						25,963		(18,189)				7,773
Comprehensive net profit						*25,963*		*(18,189)*			*4,878,619*	***4,886,392***
Allocation of the net profit of the previous year					1,332,613				(2,600)	4,561,302	(5,891,315)	0
Dividends distributed												0
As at 31 December 2021	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**

As at January 1, 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											6,974,949	6,974,949
Total other components of the comprehensive income statement						(60,976)		182,932				121,955
Comprehensive net profit						*(60,976)*		*182,932*			*6,974,949*	***7,096,905***
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
IPO costs net of tax effect			(1,730,772)									(1,730,772)
Dividends distributed												0
As at 31 December 2022	6.12	**4,244,000**	**17,565,228**	**343,931**	**15,089,303**	**(80,668)**	**(32,454)**	**91,371**	**0**	**2,513,883**	**6,974,949**	**46,709,543**

Cash Flow Statement

in Eur thousands	Notes	As at 31 December 2022	As at 31 December 2021
Net profit		**6,974,949**	**4,878,619**
- Adjustments for:			
Income taxes	7.10	963,575	1,711,884
Amortisation and Depreciation and write-downs	7.7 - 7.8	1,019,485	1,018,522
Capital losses / (gains) on disposal	7.2 - 7.6	2,014	(150)
Financial expenses/(income)	7.9	45,024	104,265
Other non-monetary changes		154,095	1,118,711
Cash flow generated/(absorbed) by operating activities before changes in net working capital		**9,159,143**	**8,831,851**
Change in inventories	6.6	(2,093,144)	(2,697,656)
Change in trade receivables	6.7	(1,471,720)	(3,157,490)
Change in Assets for work in progress on order and Advance payments on work in progress	6.8	1,689,953	(2,078,333)
Change in trade payables	6.15	4,174,686	1,373,199
Change in other assets and liabilities	6.9 - 6.17	1,309,573	(1,024,474)
Cash flow generated / (absorbed) by operating activities		**12,768,492**	**1,247,097**
Change in provisions for risks and Defined benefit schemes	6.13 - 6.14	(34,413)	(262,605)
Taxes paid	7.10	(603,900)	(1,010,694)
Net cash flow generated / (absorbed) by operating activities (A)		**12,130,179**	**(26,202)**
Investments/Disposals in fixed assets	6.3	(5,346,125)	(459,418)
Investments/Disposals in intangible assets	6.1	(1,718,646)	(899,997)
Drawdowns of financial credit to controlled companies and other financial assets	6.4	(11,664)	0
Net cash flow generated / (absorbed) by investing activities (B)		**(7,076,435)**	**(1,359,415)**
New loans	6.13	25,422	254,362
Loans repayment	6.13	(2,746,853)	(1,226,291)
Payments of capital and share premium reserve	6.12	21,309,228	0
Repayment of lease liabilities	6.2	(148,225)	(141,330)
Financial expenses paid	7.9	(280,351)	(104,965)
Financial income collected	7.9	297,157	72,162
Financial assets	6.10	691,717	(1,346,041)
Net cash flow generated/(absorbed) by financial activity (C)		**19,148,094**	**(2,492,104)**
Total change in cash and cash equivalents (A)+(B)+(C)		**24,201,838**	**(3,877,721)**
Cash and cash equivalents at the beginning of the year		**1,719,184**	**5,596,905**
Total change in cash and cash equivalents		24,201,838	(3,877,721)
Cash and cash equivalents at the end of the year		**25,921,022**	**1,719,184**

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 December 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).
As of the date of this document, the share capital of Civitanavi Systems S.p.A. is as follows updated:

- Civitanavi Systems Ltd: 70.3%
- Free-float: 29.7%

Please refer to paragraph §13.Stock Option Plan of the explanatory notes for the relevant arguments.

The Company is not subject to direction and coordination by CIVITANAVI SYSTEMS LTD and, by resolution dated 13/10/2021, the 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 noted that Civitanavi Systems Ltd (i) does not exercise any active influence on the life of the Company, resulting in complete autonomy of action on the part of the Company's directors; (ii) does not prepare strategic, industrial, financial plans, business policies and budgets for the Company; (iii) does not define or influence the Company's business or market strategies (iv) does not exercise effective decision-making powers over the Company (v) limits its relationship with the Company to the mere exercise of administrative and property rights deriving from the status of shareholder.

Please note that the Swiss company is not a member of a group, and during 2022 no transaction took place between Civitanavi Systems S.p.A. and Civitanavi Systems Ltd, except the payment for the transfer of the trademark occurred in 2021, please refer to paragraph 6.1 for more details. It is specified that during 2023 significant transactions have occurred with the majority shareholder, as discussed in §13 Stock Option Plans to which reference is made.
Please note that the Company does not hold shares or quota in the parent company, even through trust companies or proxies.

2. Summary of the accounting standards adopted

2.1 Preparation basis

These financial statements for the year ended on 31 December 2022 (hereinafter the "**Financial Statements of 31 December 31**") were drafted by the Company in accordance with the International Accounting Standards (hereinafter also “EU-IFRS”).

The financial statements have been prepared in XHTML format in accordance with the provisions of the European Commission's Delegated Regulation (EU) 2019/815 on technical regulatory standards for the specificationof the European Single Electronic Format (ESEF) for electronic communication.

There were no atypical, unusual, and/or significant nonrecurring events and transactions that occurred during the year.

It should be noted that the Company does not prepare consolidated financial statements because the subsidiary Civitanavi UK Ltd is irrelevant for the purpose of true and fair representation of the Group's financial position, in accordance with Legislative Decree 127/1991, as amended.

The balance sheet and income statement items as of 31December 2022 of the subsidiary Civitanavi UK Ltd are summarised below:

Balance Sheet:
- Cash and Bank: £8,463
- Other Credits: £1,033
- Financial debt to Civitanavi Systems S.p.A.: £9,999
- Other payables to Civitanavi Systems S.p.A.: £55,316

- Share capital: £1
- Operating loss: £55,820

Income statement:
- Administrative expenses recharged by Civitanavi Systems S.p.A.: £55,820

On November 30, 2022, following a resolution by the administrative body, a "Long Term Loan Agreement" was entered into with the subsidiary Civitanavi UK Ltd, which provides financing in GBP to the borrower ("the loan") for a maximum amount of 500 thousand. The amount is intended to finance the borrower's current expenses related to its activity, including, but not limited to covering any operating expenses, services, taxes, and other outlays. The loan is granted for a period of 5 years from the date of receipt of the loan amount, extendable to 5 more years upon mutual agreement to be notified within 30 days before the end of the first 5 years of the loan term. The loan does not involve interest for the first two years ("Free Cash period"). At the end of this period, the Borrower, upon mutual written agreement may:

- Enter into a new agreement to establish the amount, terms and conditions of interest due
- o, extend the free cash-out period to the end of the first 5-year term.

The agreement is governed by the laws of Italy. In December 2022, a first portion of the financing was disbursed, for Eur 12 thousand (equivalent to 10 thousand pounds sterling).

During 2022, Civitanavi Systems S.p.A. also incurred, on behalf of its subsidiary, costs for the activation of its operations and proceeded with the related recharging.

Below are the main accounting policies and principles applied in the preparation of the Financial Statements as of 31 December 2022.

2.2 Declaration of compliance with international accounting standards

The Financial Statements as of 31 December 2022 are prepared in accordance with the International Accounting Standards adopted by the European Commission and in force at the same date. EU-IFRS refers to all'*International Financial Reporting Standards*, all *International Accounting Standards* (IAS) and all interpretations of the *International Financial Reporting Inter*pretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

2.3 General principles

The financial statements as of 31 December 2022 consist of the mandatory financial statements required by IAS 1, namely the statement of financial position, the income statement, the comprehensive income statement, the statement of changes in equity, and the cash flow statement, as well as the explanatory notes, and is accompanied by the Board of Directors' report on the management performance.

The Company has chosen to represent the income statement by nature of expense, while assets and liabilities in the statement of financial position are classified as current and non-current. The cash flow statement is prepared according to the indirect method. The patterns used are those that best represent the Company's economic, financial, and asset situation.

An activity is classified as current when:
- it is assumed that such activity is carried out, or held for sale or consumption, in the normal course of operating cycle;
- it is owned primarily for the purpose of trading it;
- it is assumed to be realised within twelve months after the end of the fiscal year;
- it consists of cash or cash equivalents (unless its exchange or use to settle a liability is not allowed for at least twelve months from the end date of the financial year).

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

A liability is classified as current when:
- it is expected to be extinguished in the normal operating cycle;
- it is owned primarily for the purpose of trading it;

- it will be extinguished within twelve months after the end of the fiscal year;
- there is no unconditional right to defer its settlement for at least twelve months after the closing date. The clauses of a liability that could, at the option of the counterparty, give rise to its extinguishment through the issuance of equity instruments, do not affect its classification.

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

The operating cycle is the time between the purchase of goods for the production process and their realisation in cash or cash equivalents. When the normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

The Financial Statements as of 31 December 2022 have been prepared in Eur, the Company's operating currency. The financial, equity, economic situations, the comment information notes and the tables are expressed in Euros, unless otherwise indicated.

The Budget as of 31 December 2022 has been prepared:

- on the basis of the best knowledge of EU-IFRS and taking into account the best doctrine in the field; any future guidance and interpretative updates will be reflected in subsequent periods, in accordance with the accounting principles applicable at the time;
- on a going concern basis, in accordance with the principle of accounting for economic competence, respecting the principle of relevance and significance of information, the prevalence of substance over form, and with the aim of promoting consistency with future presentations. Assets and liabilities, costs and revenues are not offset against each other, unless allowed or required by International Accounting Standards;
- on the basis of the conventional historical cost criterion, except for the measurement of financial assets and liabilities in cases where the application of the *fair value* criterion is mandatory, and for financial statements of companies operating in economies subject to hyperinflation, prepared on the basis of the current cost criterion.

2.4 Accounting standards and measurement criteria

Below are presented the criteria adopted with reference to the classification, recording, valuation, and cancellation of the different items of assets and liabilities, as well as the criteria for recognising income components.

Intangible assets

An intangible asset is an asset that meets the following conditions:

- it is identifiable;
- it is non-monetary;
- it is without physical consistency;
- it is under the control of the reporting enterprise;
- it is expected to produce future economic benefits for the enterprise.

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

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

Internally generated goodwill is not recognised as an asset, nor are intangible assets arising from research (or from the research phase of an internal project).

An intangible asset, arising from the development or development phase of an internal project, is recognised if it is demonstrated that the following conditions are met:

- the technical feasibility of completing the intangible asset so that it is available for use or sale;
- the intention to complete the intangible asset to use or sale it;
- the ability to use or sell the intangible asset;
- how the intangible asset is capable of generating future economic benefits and in particular the existence of a market for the product of the intangible asset or for the intangible asset itself or, if it is to be used for internal purposes, its utility;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset;

- the ability to reliably estimate the cost attributable to the intangible asset during its development.

Intangible assets are valued through the use of the cost method in accordance with one of the two different criteria provided by IAS 38 (cost model and revaluation model). The cost model requires that, after initial recognition, an intangible asset should be carried at cost less accumulated amortisation and any accumulated impairment loss.

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

Intangible asset category	Amortisation rate
Computer software use licenses	33.33%
Trademark	5.56%
Development Costs	20%

The following are the main intangible assets identifiable within the Company:

(a) Intangible assets with a finite useful life

Intangible assets with a defined useful life are recognised at cost, as described earlier, net of accumulated amortisation and any impairment losses.

Amortisation begins when the asset is available for use and is systematically allocated over the remaining useful life, based on the estimated useful life. The criteria indicated in the paragraphs "Tangible Assets" and "Impairment of Tangible and Intangible Assets and Right-of-Use Assets" respectively apply to the recoverability of the carrying amount and the value to be amortised.

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

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

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

Capitalised development costs include only the expenses incurred that can be directly attributed to the development process and mainly refer to the hours spent by highly specialised in-house personnel.
These intangible assets with a defined useful life are amortised on a straight-line basis over their respective useful lives, typically five years.
It is believed that five years is the average period beyond which the product may require a possible software update, reference electronic components, or technology upgrade.
Any impairments, as well as any reversals are calculated using the same methods reported below in the section relating to the "Impairment of tangible and intangible assets and of right-of-use assets".

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

Right of use and lease assets and liabilities

In accordance with IFRS 16, a contract is, or contains, a lease if, in exchange for consideration, it conveys the right to control the use of a specified asset for a period of time. The contract is re-evaluated to see if it is, or contains, a *lease* only if the terms and conditions of the contract are changed.

For a contract that is, or contains, a *lease*, each *lease* component is separate from the *non-lease* components, unless the Company applies the practical expedient in paragraph 15 of IFRS 16. This practical expedient allows the lessee to choose, for each underlying asset class, not to separate the *non-lease* components from the *lease* components and to account for each *lease* component and the associated *non-lease* components as a single *lease* component.
The *lease* term is defined as the lease period that may not be cancelled, to which both of the following periods should be added:

- periods covered by a *lease* extension option, if the lessee is reasonably certain to exercise the option; and
- periods covered by the *lease* termination option, if the lessee is reasonably certain not to exercise the option.

When assessing whether the lessee has reasonable certainty to exercise the option to extend the lease or not to exercise the

option to terminate the lease, all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease or not to exercise the option to terminate the lease are considered. The lessee must redetermine the *lease* term if the non-cancelable period of the *lease* is changed.
On the effective date of the contract, the Company recognises the right-of-use asset and related *lease* liability.

On the effective date of the contract, the right-of-use asset is valued at cost. The cost of the activity per right of use includes:

a) the amount of the initial valuation of the *lease* liability;
b) *lease* payments due made on or before the effective date net of *lease* incentives received;
c) the initial direct costs incurred by the lessee; and
d) the estimated costs to be incurred by the lessee in dismantling and removing the underlying asset and restoring the site where it is located or restoring the underlying asset under the terms and conditions of the *lease*, unless such costs are incurred in producing inventories. The obligation related to the aforementioned costs arises for the lessee on the date of commencement or as a result of the use of the underlying asset during a certain period.

At the inception of the lease, the lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. Payments due for the lease include the following amounts:

a) fixed payments, net of any *lease* incentives to be received;
b) Variable payments due for the *lease* that depend on an index or rate, initially assessed using an index or rate on the effective date;
c) The amounts that the tenant is expected to pay as security for the residual value;
d) The exercise price of the purchase option, if the lessee has reasonable certainty of exercising the option; and
e) *lease* termination penalty payments, if the *lease* term takes into account the lessee's exercise of the *lease* termination option.

Payments due on the *lease* should be discounted using the *lease*'s implicit interest rate if it can be easily determined. If not possible, the lessee must use its incremental borrowing rate, i.e. the rate of interest that the company would have to pay to obtain a loan of the same duration and amount as the lease contract.

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

a) net of accumulated amortisation and accumulated impairment losses; and
b) adjusted for any reassessments of the *lease* liability.

After initial recognition, the *lease* liability is valued:

a) increasing the book value to account for the interest on the *lease* liability;
b) decreasing the book value to account for payments due for *leases* made; and
c) remeasuring the book value to reflect any new assessments or changes in the *lease* or revision of payments due for *leases* that are fixed in substance.

If there are changes to the lease that do not qualify as a separate lease, the right-of-use asset is reassessed (upward or downward), in line with the change in the lease liability on the date of the modification. The lease liability is reassessed based on the new conditions specified in the lease contract, using the discount rate at the date of modification.

It should be noted that the Company makes use of the exemption provided by IFRS 16, with reference to *leases of* low-value assets. In such cases, the right-of-use asset and the related *lease* liability are not recognised, and the *lease* payments due are recognised in the income statement.

The Company has decided not to take advantage of the exemption under IFRS 16 in relation to short-term *leases* (i.e., *leases* that have a term of 12 months or less from the effective date).

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

Tangible assets

Tangible assets are valued at purchase or production cost, net of accumulated amortisation and any impairment losses. The cost includes any charges directly incurred to prepare the assets for their use, as well as any costs for dismantling and removal that will be incurred to restore the site to its original condition.

Costs incurred for maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement in the year in which they are incurred. The capitalisation of costs related to the expansion, modernisation or improvement of structural elements owned or in use by third parties is made only to the extent that they meet the requirements to be separately classified as an asset or part of an asset.

Tangible assets are accounted for only when the following conditions occur simultaneously:

- it is likely that future economic benefits referable to the asset will be enjoyed by the enterprise;
- the cost can be reliably determined.

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

The useful life estimated by the Company for the various categories of tangible assets is shown below:

Tangible asset category	Amortisation rate
Electronic office machines	20%
Furnishings	15%
Air conditioning system	15%
Alarm system	30%
Electrical system	10%
Industrial and sundry and minor equipment	15%
Machinery	15%
Telephone system	20%
Other assets	15%
Land	Indefinite useful life
Buildings	3%

At the end of each financial year, the company verifies whether there have been significant changes in the expected characteristics of the economic benefits derived from capitalised assets, and if so, it changes the depreciation criterion, which is considered a change in estimate in accordance with IAS 8.

The value of the tangible asset is completely written off when it is disposed of or when the company expects that no economic benefit can be derived from its sale.
Capital grants are recorded when there is reasonable certainty that they will be received, and all conditions related to them are satisfied. Capital grants are therefore suspended between liabilities and credited proportionally to the income statement in relation to the useful life of the related assets.

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

At each financial statements reference date, the company performs a check that aims to ascertain whether there are indicators that the tangible, intangible and right-of-use assets may have been impaired. Both internal and external sources of information are considered for this purpose. Relative to the former (internal sources), the following are considered: obsolescence or physical deterioration of the asset, any significant changes in the use of the asset, and the economic performance of the asset relative to what is expected. Regarding external sources, the following are considered: market price trends of assets, any technological, market or regulatory discontinuities, market interest rate trends or the cost of capital used to evaluate investments.

In case such indicators are identified, the recoverable value of these assets is estimated including any write-downs compared to the related book value in the comprehensive income statement. The recoverable amount of an asset is the higher of its *fair value*, net of ancillary sale costs, and its value in use, determined by discounting to present value the estimated future cash flows for that asset, including, if significant and reasonably determinable, those from disposal at the end of its useful life, net of any disposal charges. In determining the value in use, expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the cost of money, related to the period of the investment and the specific risks of the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined in relation to the *cash generating unit*, to which that asset belongs.

An impairment loss is recognised in comprehensive income if the carrying value of the asset, or the CGU to which it is allocated, is greater than its recoverable amount. Impairments in the value of a CGU are first charged against the carrying value of any goodwill allocated to it and then against other assets, in proportion to their carrying value and within the limits of their recoverable value. If the conditions for a previously made write-down are no longer met, the book value of the asset is reinstated with a charge to the income statement, within the limits of the net book value that the asset in question would have had if the write-down had not been made and the relevant depreciation had been made.

Investments in subsidiaries

Investments in subsidiaries are measured at cost, net of any impairments ("*impairment*"). An equity investment is impaired when its book value exceeds its recoverable amount. The carrying values of equity investments are subject to valuation whenever there are clear internal or external indicators to the company that suggest a potential reduction in the value of the investment.

In particular, the indicators examined to assess whether an equity investment is impaired are as follows:

- the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets expressed in the consolidated financial statements, including, where applicable, the related goodwill;
- the dividend distributed by the investee exceeds the total undistributed profits of the subsidiary since the date of acquisition or incorporation;
- the operating income achieved by the investee company is significantly lower than the amount provided for in the management plan, if this indicator can be considered significant for the relevant company;
- there are expectations of significantly decreasing operating results in future years;
- the existence of changes in the technological, market, economic, or regulatory environment in which the investee operates that may generate significant adverse economic effects on the Company's results.

The *impairment* test consists of comparing the carrying value with the recoverable value of the investment. If the recoverable amount of an investment is less than the carrying value, the later is reduced to the recoverable amount. This reduction constitutes an impairment loss charged to the income statement. The recoverable amount of an investment is identified as the higher of *fair value* and value in use. The value in use of an investment is the present value of future cash flows expected to originate from a cash-generating investment. The value in use reflects the effects of factors that may be specific to one entity and may not be applicable to any other entity. If the conditions for a previously made write-down are no longer met, the carrying amount of the investment is restored with a charge to the income statement, up to the original cost.

Financial assets

Upon initial recognition, financial assets must be classified in one of the following categories:

(i) financial assets measured at amortised cost,
(ii) financial assets measured at *fair value* with an impact on comprehensive income, and
(iii) financial assets measured at *fair value* with an impact on the income statement.

This classification is made on the basis of the following elements:

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

Financial assets are subsequently derecognised only if the sale has resulted in the substantial transfer of all risks and benefits associated with the assets. On the other hand, if a significant portion of the risks and rewards benefits related to the transferred financial assets have been retained, they continue to be recorded in the balance sheet, even though legally the ownership of the assets has actually been transferred.

a) Financial assets measured at amortised cost

Financial assets that meet both of the following conditions are included in this category:

- the financial asset is held according to a business model whose objective is achieved through the collection of contractually stipulated cash flows ("*Hold to Coll*ect" business model); and
- the contractual terms of the financial asset provide, at specific dates, for cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (so-called. "SPPI test" passed).

At initial recognition these assets are recorded at *fair value*, including transaction costs or income directly attributable to the instrument itself. After initial recognition, the financial assets under consideration are measured at amortised cost, using the effective interest rate method.
The amortised cost method is not used for assets - valued at historical cost - whose short duration makes the effect of applying the logic of discounting negligible, for those without a defined maturity, and for revocable loans.

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

Financial assets other than those classified as "Financial assets measured at amortised cost" and "Financial assets measured at *fair value* with impact on comprehensive income" are classified in this category.
This category includes financial assets held for trading and derivatives contracts not classified as hedges (which are represented as assets if the fair value is positive and as liabilities if the fair value is negative).

At initial recognition, financial assets valued at fair value with an impact on the income statement are recorded at fair value, without considering transaction costs or proceeds directly attributable to the instrument itself. At subsequent reporting dates, they are valued at fair value and the effects of the valuation are recorded in the income statement.

Financial derivative instruments and hedging transactions

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

At contract inception, financial derivative instruments are initially valued at fair value, as financial assets valued at fair value with an impact on the income statement when the fair value is positive or as financial liabilities valued at fair value with an impact on the income statement when the fair value is negative.

If financial instruments are not accounted for as hedging instruments, changes in *fair value* recognised after initial recognition are treated as components of net income for the year. If, on the other hand, the derivative instruments meet the requirements to be classified as hedging instruments, the subsequent fair value changes are accounted for using specific criteria, as described below.

A financial derivative instrument is classified as a hedging instrument if a formal documentation is made of the relationship between the hedging instrument and the hedged item, including risk management objectives, the strategy for carrying out the hedging and the methods that will be used to test its prospective and retrospective effectiveness. The effectiveness of each hedge is verified both at the time of inception of each derivative instrument and during its life, and in particular at each balance sheet or interim reporting date. Generally, a hedge is considered highly "effective" if, both at the inception and during its life, changes in the fair value, in the case of a fair value hedge, or expected future cash flows, in the case of a cash flow hedge, of the hedged item are substantially offset by changes in the fair value of the hedging instrument.

The accounting principle IFRS 9 allows for the designation of the following three types of hedge relationships:

a) *fair* value hedge: when the hedge relates to changes in the *fair value* of assets and liabilities recorded in the balance sheet, both changes in the *fair value* of the hedging instrument and changes in the hedged item are charged to the income statement.
b) *cash flow hed*ge: in the case of hedges designed to neutralise the risk of changes in cash flows originating from the future performance of contractually defined obligations at the balance sheet date, changes in the *fair value* of the derivative instrument recorded subsequent to initial recognition are accounted for, limited only to the effective portion, in the statement of comprehensive income and then in an equity reserve. When the economic effects arising from the hedged item occur, the portion recognised in other comprehensive income is reclassified to the income statement. If the hedge is not perfectly effective, the change in *fair value* of the hedging instrument attributable to the ineffective portion of the hedge is immediately recognised in the income statement.
c) hedging a net investment in a foreign operation*(net investment hedge*).

If the effectiveness of the hedge is not confirmed by the assessments, the accounting of the hedging transactions is discontinued and the hedging derivative contract is reclassified among the financial assets/liabilities measured at fair value through profit or loss. The hedging relationship also ceases when:

- the derivative expires, is sold, terminated or exercised;
- the covered item is sold, expires, or is refunded;
- it is no longer highly probable that the future transaction being hedged will occur.

Refer to Note 5.5 for information on financial asset and liability categories and *fair value* disclosures.

Trade receivables

Trade receivables arising from the transfer of goods and provision of services are recognised in accordance with the terms of the contract with the customer based on the provisions of IFRS 15 and classified based on the nature of the debtor and/or the due date of the receivable (this definition includes invoices to be issued for services already rendered).

Furthermore, since trade receivables are generally short-term and do not involve the payment of interest, the amortised cost is not calculated, and they are recorded based on the nominal value stated in the invoices issued or contracts entered into with customers. This provision is also applied to trade receivables that have a contractual duration exceeding 12 months, unless the effect is particularly significant. The choice is due to the fact that the amount of short-term receivables is very similar when applying the historical cost method or the amortised cost criterion, and the impact of discounting logic would therefore be completely negligible.

Trade receivables are subject to an impairment test (c.d. *impairment*) according to the provisions of IFRS9. The provisions of IFRS9 require the application of the*expected credit loss model* for assessing the recoverability of financial assets based on a predictive approach; in particular, with regard to trade receivables, expected losses have generally been determined using the simplified approach based on the product of:

a) the exposure claimed against the counterparty net of related mitigants (c.d. *Exposure At Default*, EAD)
b) the probability that the counterparty will not fulfill its payment obligation (c.d. *Probability of Default*, PD)
c) the estimate, in percentage terms, of the amount of credit that will not be recovered in the event of default (c.d. *Loss Given Default*, LGD), based on past experience and possible viable recovery actions (e.g., out-of-court actions, litigation, etc.).

For the purpose of the evaluation process, trade receivables are divided by time bands of past due. Performing credits are subject to collective measurement, by grouping the individual exposures based on similar credit risk. The assessment is based on expected losses over the life of the receivable, calculated by starting from losses recorded for assets with similar credit risk characteristics based on historical experience, and adjusted to reflect forecasts of future economic conditions.

Inventories

Inventories are assets:

- possessed for sale in the normal course of business;
- employed in production processes for sale;
- in the form of materials or supplies of goods to be used in the production process or in the provision of services.

Inventories are recorded at cost and valued at the lower of the cost and the net realisable value.

The cost of inventories includes all purchase costs, conversion costs, and other costs incurred to bring the inventories to their current location and condition but does not include foreign exchange differences for inventories invoiced in foreign currency. In accordance with IAS 2, the weighted average cost method is used to determine the cost of inventories.

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

Cash and cash equivalents

Cash and other cash equivalents are recorded at nominal value or amortised cost, depending on their nature. Other cash equivalents represent short-term and highly liquid financial investments that are readily convertible into known cash amounts and subject to an insignificant risk of value fluctuation, whose original maturity, at the time of purchase, does not exceed 3 months.

Payables

Trade and other payables are initially recognised at *fair value* and are subsequently measured by the amortised cost method.

Payables to banks and other lenders are initially recorded at fair value, net of directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method. If, following a modification to the terms of a financial liability, there is a change in the estimated expected cash flows that results in a variation of less than 10% of those cash flows, it is necessary to recalculate the amortised cost of the financial liability and recognise in the net income a gain or loss resulting from the modification. The amortised cost of the financial liability must be recalculated as the actual value of the renegotiated or amended cash flows, discounted at the original effective interest rate of the financial liability. Any costs or fees incurred in relation to the amendment adjust the carrying amount of the modified financial liability and are amortised over the remaining term of the modified financial liability.

Debts are removed from the balance sheet when they are extinguished and when the Company has transferred all risks and charges related to the instrument itself.

Defined benefit schemes

Defined benefit plans include benefits provided to employees, directors or their dependents and may be settled by payments (or by the provision of goods and services) made directly to employees, their spouses, children or other dependents, or to third parties such as insurance companies, and are divided into short-term benefits, benefits payable to employees upon termination of employment, and post-employment benefits.

Short-term benefits, which also include incentive programs represented by annual bonuses, MBOs, and one-time renewals of national collective bargaining agreements, are accounted for as a liability (cost accrual) after deducting any amount already paid, and as an expense, unless some other IFRS standard requires or permits the inclusion of benefits in the cost of an asset (e.g., the cost of personnel employed in the development of internally generated intangible assets).

The category of termination benefits includes redundancy incentive plans, which arise in the case of voluntary resignation involving the employee or a group of employees joining labor union agreements for the activation of so-called solidarity funds, and redundancy plans, which take place in the case of termination of employment as a result of a unilateral choice by the company. The company recognises the cost of such benefits as a balance sheet liability on the earliest date between the time when the company cannot withdraw the offer of such benefits and the time when the firm recognises the costs of a restructuring that falls under IAS 37. Resignation provisions are reviewed at least semiannually.

Post-employment benefit plans are divided into two categories: defined contribution plans and defined benefit plans.

Defined contribution plans mainly include:

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

Defined benefit plans, on the other hand, include:

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

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

Accounting for defined benefit plans is characterised by the use of actuarial assumptions to determine the value of the obligation. This assessment is entrusted to an external actuary and is carried out annually. For the purpose of actualisation, the company uses the method of unitary projection of credit, which involves projecting future disbursements based on historical statistical analysis and demographic curve, and financial actualisation of such flows based on a market interest rate. Actuarial gains and losses are recognised with an offsetting entry to shareholders' equity (under "Reserve for actuarial gains and losses") as required by IAS 19.

Employee compensation benefits in the form of equity participation

In cases where the company compensates its top management through stock option and stock grant plans, in accordance with IFRS 2, the fair value of the benefit attributed to the individuals concerned is recognised as an expense in the income statement over the vesting period of the plan with a corresponding increase in equity reserves. This benefit is quantified by measuring the fair value of the assigned instrument on the grant date through financial valuation techniques, including any market conditions in the valuation, and adjusting the number of rights expected to be granted at each balance sheet date. On the other hand, the initially determined fair value is not subject to updates in subsequent assessments.

Provisions for risks and expenses, contingent assets and liabilities

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

- provisions are actual obligations of uncertain amount and timing that arise from past events and for which it is probable that there will be an outflow of economic resources that can be reliably estimated;
- contingent liabilities are possible obligations for which the probability of an outflow of economic resources is not remote;
- remote liabilities are those for which disbursement of economic resources is unlikely;
- contingent assets are assets for which the requirement of certainty is lacking and cannot be accounted for in the financial statements;

- onerous contract is a contract in which the non-discretionary costs necessary to fulfill the obligations assumed are higher than the economic benefits expected to be obtained from the contract;
- restructuring is a program planned and controlled by management that significantly changes the scope of an activity undertaken by the firm or the way the activity is managed.

For the purpose of accounting for the expense, provisions are recorded in cases where there is uncertainty about the timing or amount of the outflow of resources required to fulfill the obligation, or for other liabilities such as trade payables or provisions for contingent liabilities.

Provisions differ from other liabilities in that there is uncertainty about the timing or amount of the future expenditure required to settle them. Due to their different nature, provisions are shown separately from trade payables and provisions for assumed liabilities.

Recognition of a liability or allocation to a provision occurs when:

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

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

The provisions for risks and charges are made for an amount that represents the best possible estimate of the expenditure necessary to settle the related obligation existing at the reference date of the financial statement and takes into account the risks and uncertainties that inevitably surround many facts and circumstances. The amount of the provision reflects any future events that may affect the amount required to settle an obligation if there is sufficient objective evidence that they will occur.

Once the best possible estimate of the expenditure necessary to settle the related obligation existing at the reference date of the financial statement has been determined, the present value of the provision is determined, if the effect of the present value of money is a relevant aspect.

Operating revenues

Operating income is recognised when the following conditions are met:

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

The Company recognises operating income when (or as) it fulfills its contractual obligation by transferring the promised good or service (i.e., activity) to the customer. The activity is transferred when (or as) the client gains control.
Assets for work in progress on order are recognised using percentage of completion as the methodology for measuring progress, under which costs, revenue, and margin are recognised based on the progress of the activity, determined by reference to the ratio of costs incurred to date to the total expected costs of the program (cost-to-cost method).

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

- the customer simultaneously receives and uses the benefits from the entity's performance as the entity performs it;
- the Company's performance creates or improves the activity (e.g., work in progress) that the customer controls as the activity is created or improved;
- the Company's performance does not create an asset that presents an alternative use for the Company, and the Company has the enforceable right to payment of the completed performance up to the relevant date.

If the contractual obligation is not fulfilled in the course of time, the contractual obligation is fulfilled at a specific time. In this case, the Company recognises the revenue when the customer gains control of the promised activity.
The contractual consideration included in the contract with the customer may include fixed amounts, variable amounts, or both. If the contractual consideration includes a variable amount (e.g. discounts, price concessions, incentives, penalties or other similar elements), the Company shall estimate the amount of consideration to which it will be entitled in exchange for the

transfer to the customer of the promised goods or services. The Company includes in the transaction price the estimated variable consideration only to the extent that it is highly probable that a significant reversal of the cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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

The incremental costs of obtaining customer contracts are accounted for as assets and amortised over the life of the underlying contract if the Company expects to recover them. The incremental costs of obtaining a contract are the costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs of obtaining a contract that would have been incurred even if the contract had not been obtained shall be recognised as an expense when incurred, unless they are explicitly chargeable to the customer regardless of whether the contract is obtained.

Recognition of costs

Costs are recognised in the income statement on an accrual basis.

Listing costs

In accordance with IAS 32, listing costs related to a public subscription offer are accounted for as a direct deduction from equity, while the costs relating to a public sale offer are recorded directly in the income statement. In the event of a successful listing, the ratio of the number of new shares to the number of post-listing shares will determine the percentage of expenses that will be recorded as a direct reduction of equity. If the transaction does not occur, these costs must instead be expensed in the income statement.

Dividends

Dividends received are recognised in the income statement on an accrual basis in accordance with the accrual principle, that is, in the year in which the right to receive the dividend arises, following the resolution of the shareholders' meeting of the investee company to distribute dividends.

Dividends distributed are shown as a movement in shareholders' equity in the year in which they are approved by the shareholders' meeting.

Income taxes

The company's tax burden consists of current taxes and deferred taxes. If related to components recognised in the income and expenses recognised directly in equity within the statement of comprehensive income, such taxes are recorded with an offsetting entry in the same line item.

Current taxes are calculated on the basis of tax regulations in force at the date of the financial statements. Any risks related to different interpretations of positive or negative income components, as well as any disputes with tax authorities, are periodically evaluated in order to adjust the provisions recorded in the financial statements.

Deferred taxes are calculated on the basis of temporary differences arising between the book value of assets and liabilities and their value for tax purposes as well as on tax losses. Deferred tax assets and liabilities are measured by applying the expected tax rate in force at the time the temporary differences will reverse; such estimate is based on the current or substantially enacted tax legislation at the reference date. Deferred tax assets, including those arising from tax losses, are recognised to the extent that, based on the business plans approved by the directors, t is considered probable that there will be future taxable income against which such assets can be used.

If there are any uncertain tax treatments, the company determines the likelihood of their acceptance by the tax authority. If acceptance is deemed probable, the tax values take into account the uncertain tax treatment while, if acceptance is deemed improbable, the company calculates the effect of such uncertainty using either the most likely amount method or the expected value method.

Conversion of items in foreign currency

Transactions in currencies other than the functional currency are recognised at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the Eur are subsequently adjusted at the exchange rate in effect at the end of the reporting period. Any exchange differences arising are reflected in the income statement under the item "Gains and losses on foreign currency".

3. Recently issued accounting standards

The accounting standards adopted in preparing the financial statements for the year ended December 2022 are consistent with those applied in preparing the financial statements for the year ended December 31, 2021, except for the adoption of new principles effective from January 1, 2022. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet in effect. Several amendments are applied for the first time in 2022, but they do not have impact on the Company's financial statements.

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

As of January 1, 2022, the following changes to the accounting principles have become applicable to the Company:

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
This amendment had no impact on the company's annual financial statements.

Reference to the Conceptual Framework - Amendments to IFRS 3
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the company applies the amendment prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). These amendments had no impact on the company's financial statements.

Property, plant and equipment: Proceeds before Intended Use **-** *Amendment to IAS 16*
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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 costs of producing those items, in profit or loss.
In accordance with the transition rules, the company applies the amendment retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).
These amendments had no impact on the company's financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
These amendments had no impact on the company's financial statements.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. In

accordance with the transitional provisions, the company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the company's financial statements.

IAS 41 Agriculture - Taxation in fair value measurements.
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. This amendment had no impact on the company's annual financial statements because the company did not have assets in scope of IAS 41 as at the reporting date.

Accounting standards, amendments and interpretations issued but not yet effective

Principles and interpretations that had already been issued but were not yet in force at the date of the company's financial statements are explained below. The company intends to adopt these principles and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.
A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.
The core of IFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023. This standard is not applicable to the company.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current.
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.
The amendments clarify:
- what is meant by a right to defer settlement
- that a right to defer must exist at the end of the reporting period
- that classification is unaffected by the likelihood that an entity will exercise its deferral right
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments are not expected to have a significant impact on the company's financial statements.

Definition of accounting estimate - Amendments to IAS 8.
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.
The amendments are not expected to have a significant impact on company's financial statements.

Disclosure of Accounting Standards - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments are not expected to have a significant impact on company's financial statements.
Deferred taxes related to assets and liabilities arising from a single transaction - Amendments to IAS 12
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS

12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.
The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.
The company is currently assessing the impact of the amendments.

4. Estimates and assumptions

The preparation of financial statements requires the directors to apply accounting principles and methodologies that, in certain circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions that are considered reasonable and realistic as per the respective circumstances.

The application of these estimates and assumptions affects the amounts reported in the financial statements, such as the statement of financial situation, the income statement, the comprehensive income statement, the cash flow statement, as well as the related disclosures. The final results of the financial statement items, for which the above estimates and assumptions have been used, may differ, even significantly, from those reported in the financial statements that reflect the effects of the occurrence of the estimated event, due to the uncertainty that characterises the assumptions and conditions on which the estimates are based.

The areas that require more subjectivity from the Directors in the preparation of estimates and for which a change in the underlying conditions of the assumptions used could have a significant impact on the Company's financial results, are as follows:

a) *Impairment of tangible and intangible assets with definite useful lives*: tangible and intangible assets with definite useful lives are subject to review to determine if there has been a loss of value when indicators exist that suggest difficulties in recovering their net book value through use. The verification of the existence of the aforementioned indicators requires the exercise of subjective evaluations by the Administrators based on the information available both internally and externally, as well as on historical experience. In addition, when it is determined that a potential impairment may be generated, such impairment is determined using assessment techniques that are deemed to be appropriate. The correct identification of indicators of potential impairment, as well as the estimates for determining them, depend on subjective assessments and on factors that may change over time influencing the assessments and estimates made by management.

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

c) *Provision for risks and expenses*: in some circumstances, it is not easy to identify the existence or absence of a current (legal or implicit) obligation. The directors evaluate these situations on a case-by-case basis, together with the estimation of the amount of economic resources required to fulfill the obligation. When the directors deem that the occurrence of a liability is only possible, the risks are disclosed in the appropriate disclosure note on commitments and risks without any provision being made.

d) *Useful life of tangible and intangible assets*: the useful life is determined when the asset is recorded in the financial statement. The assessments of useful life are based on historical experience, market conditions, and expectations of future events that may impact the useful life, including technological changes. As a result, it is possible that the actual useful life may differ from the estimated useful life.

e) *Deferred tax assets*: deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profits will be available against which the temporary differences or tax losses can be used.

f) *Inventories*: final inventories of products with obsolete or slow-moving characteristics are periodically subject to measurement tests and written down if their recoverable value is lower than their carrying amount. The write-downs carried out are based on assumptions and estimates made by Directors derived from their experience and historical results.

g) *Lease liabilities*: the amount of *lease* liabilities and consequently of related right-of-use assets depends on the determination of the *lease term*. The determination is subject to management evaluations, with particular reference to the inclusion or exclusion of the periods covered by the renewal and termination options of the lease provided for by the lease contracts. These assessments will be reviewed upon the occurrence of a significant event or significant change in circumstances that impacts the management's reasonable certainty to exercise an option previously not considered in determining the lease term or to not exercise an option previously considered in determining the lease term.

h) *Estimate of revenue and cost to complete long-term contracts*: The company operates in business sectors and contractual schemes that are particularly complex, recognised in the financial statements through the percentage of completion method in case the requirements for over time recognition of revenue are met. Margins are recorded in the income statement based on both the progress of performance obligations included in contracts and the margins expected to be recognised upon the completion of the entire work. Any requests for additional compensation resulting from contractual modifications, including those resulting from additional costs incurred due to the fault of the client, will be considered in the overall amount of compensation where they present a high probability of recognition by the client, within the expected value of such recognition. The estimation of total expected costs on ongoing contracts is characterised by a high level of uncertainty because it can be affected by multiple factors, including the engineering complexity of the products, the ability to fulfill on time the technical specifications required by clients, and the ability to meet contractually stipulated processing times; failure to comply with these contractual clauses can result in significant penalties and cost overruns, which must be factored into the overall cost estimate. In order to better support management's estimates, the company has adopted contract risk management and analysis schemes aimed at identifying, monitoring and quantifying risks related to the performance of these contracts. The values recorded in the financial statements represent the best estimate at the date formulated by management, with the help of such procedural supports. If during the execution of a contract the revision of the lifetime economic plans reveals the existence of factors that make the plans financially burdensome, the portion of costs required to fulfill the obligations of the contract that exceeds the economic benefits derived from it is recognised in its entirety in the fiscal year when it becomes reasonably predictable. This amount is then set aside in an "Provision for onerous contracts," and recorded among current provisions for risks and charges. The reversal of these provisions is recognised as absorption within "Operating revenues."

5. Management of financial risks

For more details, please refer to the "Major Risks and Uncertainties" section of 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 on 31 December 2022 and for the financial year ended on 31 December 2021.

(In Eur)	Development costs	Concessions, licenses, 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	183,884	135,427		1,399,335	1,718,646
Reclassifications	216,164			(216,164)	0
Decreases					0
Historical cost on 31 December 2022	**499,543**	**1,200,251**	**5,460**	**1,974,869**	**3,680,122**
Amortisation provision on 31 December 2021	**79,899**	**945,224**	**5,460**		**1,030,583**
Amortisation	84,909	119,844			204,752
Decreases due to transfers and disposals					0
Amortisation provision on 31 December 2022	**164,808**	**1,065,068**	**5,460**		**1,235,335**
Net carrying amount on 31 December 2021	**19,596**	**119,600**	**0**	**791,697**	**930,893**
Net carrying amount on 31 December 2022	**334,735**	**135,183**	**0**	**1,974,869**	**2,444,787**

Intangible fixed assets on 31 December 2022 amounted to Eur 2,445 thousand and consisted mainly of Development Costs amounting to Eur 335 thousand, Concessions, licenses, trademarks and similar rights amounting to Eur 135 thousand and Assets under construction an amounting to Eur 1,975 thousand.

Concessions, licenses, trademarks and similar rights refer to avionics, management and generic software directed at supporting the business through the continuous renewal and modernisation of technology platforms. They are largely licences for use of computer software.

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 335 thousand refers to capitalised and amortised internal development projects.

The item "Fixed assets in progress and advance payments" includes the capitalisation of costs relating to internal development projects that were still ongoing at the end date of financial statements.

For more details on the main development projects, please see the specific section in the Directors' Report on Operations of this document.

Depreciation for the year is accounted for in the appropriate item of the income statement and amounted to Eur 205 thousand.

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)	**31.12.2022**	**31.12.2021**
Net carrying amount of right of use assets (property)	699,936	1,867,289
Net carrying amount of right of use assets (vehicles)	7,435	538
Total carrying amount of right of use assets	**707,371**	**1,867,827**
Current lease liabilities	149,854	142,002
Non-current lease liabilities	708,323	1,860,075
Total lease liabilities	**858,177**	**2,002,077**

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

(In Eur)	**31.12.2022**	**31.12.2021**
Amortisation of right of use assets (property)	157,953	175,890
Amortisation of right of use assets (vehicles)	6,829	5,918
Total amortisation of right of use assets	**164,782**	**181,807**
Interest payables for leases	**38,985**	**48,852**
Property lease fees	180,238	176,662
Vehicles lease fees	6,972	6,042
Total outgoing cash flows for leases	**187,210**	**182,704**

Right-of-use assets relating to 31 December 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 Pedaso (FM).

The value of right-of-use assets decreased by Eur 1,160 thousand as did the value of lease liabilities, which decreased by Eur 1,144 compared to 31 December 2021. This decrease is mainly attributable to the remeasurement of the liability, of the Pedaso lease contract, to reflect the estimated duration and cash flows and thus adjust the book value of the Right of Use. This remeasurement of the lease of the Pedaso headquarters was done considering the purchase of the new building that will be the new headquarters in the future.

The value of the amortisation of right to use and interest payable for leases decreased compared to 31 December 2021, with a lower impact on the income statement of Eur 27 thousand. This decrease is due to the upward recalculation of depreciation and lease interest expense, made and implemented in FY 2021, on the years 2018, 2019 and 2020 for ISTAT adjustment.

It is specified that in FY2022, no new contracts were signed within the scope of IFRS16 except for the renewal of the car rental contract.

As of 31 December 2022, the Company has not identified any indicators of impairment with respect to right-of-use assets.

The table below shows the values of the Company's lease liabilities on 31 December 2022.

(In Eur)	As at 31 December 2022					
	within 1 year	between 1 and 2 years	between 3 and 5 years	over 5 years	Carrying amount	Contract value
Lease liabilities	207,655	149,462	423,695	77,366	858,177	858,177

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

6.3 Tangible assets

The table below shows the composition and movements of tangible assets for the financial year that ended on 31 December 2022.

(In Eur)	Plant and equipment	Industrial and commercial equipment	Other assets	Land and buildings	Tangible assets in progress and advances payments	Total
Historical cost on 31 December 2021	**2,841,026**	**838,548**	**514,344**	**266,413**	**162,987**	**4,623,318**
Investments	550,620	613,926	180,494	3,821,266	182,382	5,348,689
Disposals		(4,852)	(5,065)			(9,917)
Reclassifications	73,520	25,030		64,437	(162,987)	0
Historical cost on 31 December 2022	**3,465,167**	**1,472,651**	**689,773**	**4,152,117**	**182,382**	**9,962,090**
Depreciation provision on 31 December 2021	**1,835,310**	**326,610**	**279,004**	**129,915**	**0**	**2,570,839**
Depreciation	336,241	160,568	89,456	63,685		649,951
Disposals		(2,931)	(4,422)			(7,353)
Depreciation provision on 31 December 2022	**2,171,551**	**484,248**	**364,038**	**193,600**	**0**	**3,213,437**
Net carrying amount on 31 December 2021	**1,005,716**	**511,938**	**235,340**	**136,498**	**162,987**	**2,052,479**
Net carrying amount on 31 December 2022	**1,293,615**	**988,404**	**325,735**	**3,958,517**	**182,382**	**6,748,653**

On 31 December 2022, Tangible assets amounted to Eur 6,749 thousand, a net increase of Eur 4,696 thousand compared to 31 December 2021.

The net increase is mainly attributable to investments made during the year, amounting to Eur 5,349 thousand, composed as follows:

- investments of Eur 3,821 thousand in Land and Buildings mainly referring for Eur 3,385 thousand to the purchase of real estate destined to be in the future the new "Headquarters" of the company and for the remaining part related to the works of expansion and functionality of the industrial pole. At the closing date of these financial statements, the property was not entered into the company's production cycle and, therefore, not in operation. Therefore, depreciation was not taken;
- investments amounting to Eur 551 thousand referred to Plant and Machinery (mainly referring to new production machinery); to Eur 614 thousand in the item Industrial and Commercial Equipment (mainly referring to the purchase of state-of-the-art equipment for product testing); and to Eur 180 thousand in the item Other Assets (mainly directed to investments for furniture and furnishings as well as electronic machines);
- additional investments recorded under Tangible assets in progress and advances in the amount of Eur 182 thousand concern advances paid to suppliers for the purchase of machinery.

All these investments are aimed at increasing the company's production capacity.

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

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

Depreciation for the year is accounted in the appropriate item of the income statement and amounted to Eur 649 thousand.

On 31 December 2022, there are no tangible assets owned by the company encumbered by any type of guarantee granted in favour of third parties.

6.4 Investments in subsidiaries and other financial assets

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

(In Eur)	**31.12.2022**	**31.12.2021**
Investments in subsidiaries	1	1
Other Financial Assets	50,000	50,000
Financing Assets to subsidiaries	11,664	0
Investments in subsidiaries and other financial assets	**61,665**	**50,001**

Investments recorded in the amount of Eur 1 refer to the 100% stake held in the British company called Civitanavi UK Ltd, which was established in 2020. The subsidiary became active during 2022, and for the start of its operation, the company has approved a loan of up to a maximum of 500 thousand pounds sterling. In December 2022, a first part of the loan, recorded under "Loan receivable from subsidiary company", was disbursed in the amount of Eur 12 thousand (equal to 10 thousand pounds sterling). More details on the terms of the loan can be found in §2.1 of the Notes to the Financial Statements.
The development of this project is part of the strategic and business expansion goals initiated since 2022.

The value of other financial assets refers mainly to no. 50 Cash Collect Certificates with 95% protection of the invested capital, issued by UniCredit for a total amount of Eur 50 thousand, subscribed in 2019 with maturity on November 20, 2023.

6.5 Deferred tax assets

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

(In Eur)	**31.12.2022**	**31.12.2021**
Presumed losses on receivables	8,400	8,400
Unrealised foreign currency losses	799	2,057
Intangible assets - know-how and patents revaluation pursuant to (It.) Dl 104/2020	2,298,400	2,585,700
Inventories	74,936	48,000
Financial derivative instruments	29,066	6,219
Provisions for employee benefits	0	41,698
Right of use assets	24,792	24,792
Tax losses	85,772	0
Deferred tax assets	**2,522,166**	**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 2022 Deferred Tax Assets decreased by Eur 195 thousand due to the combined effect:

- of the tax depreciation calculated for 2022 related to the tax benefit resulting from the revaluation under the provisions of Article 110 of Decree Law 104/2020 (converted with amendments by Law 126/2020) that was made in the financial statements for 31 December 2020 approved in accordance with national accounting standards and subject to derecognition on the first adoption of EU-IFRS;
- Of the increase in deferred tax assets on Inventories (inventory allowance);
- of the decrease in deferred tax assets related to Employee Benefit Funds that generated deferred tax provisions on 31 December 2022, as shown in the table below;
- the recognition of the tax loss of Eur 86 thousand recognised as a result of the accounting of the Patent Box 2017-2021; for more details see §7.10 Income Taxes in the notes to the financial statements.

In this regard, it should be noted that part of the deferred tax assets relates to tax losses valued based on taxable income under the business plans.

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

(In Eur)	**31.12.2022**	**31.12.2021**
Unrealised foreign currency profits	19,077	1154
Provisions for employee benefits	33,555	0
Deferred tax liabilities	**52,632**	**1,154**

The table below shows the composition and movements of the gross value of deferred tax assets and deferred tax provision for the year ended 31 December 2022.

(in EUR thousands)	**Presumed losses on receivables**	**Unrealised foreign currency profits and losses**	**Intangible assets**	**Inventories**	**Financial derivative instruments**	**Provisions for risks and charges**	**Provisions for employee benefits**	**Right of use assets**	**Tax loss**	**Total deferred tax assets**	**Unrealised foreign currency profits and losses**	**Provisions for employee benefits**	**Total deferred tax provision**	**Total Overall Movements**
Balance on 31/12/2021	8	2	2,586	48	6	0	42	25	0	**2,717**	(1)	0	(1)	
Provisions (uses) in the income statement	0	(1)	(287)	27	0	0	0	0	0	**(262)**	(18)	(17)	(35)	(297)
Provisions (uses) in the comprehensive income statement	0	0	0	0	23	0	(42)	0	0	**(19)**	0	(16)	(16)	(35)
Provisions (uses) in the income statement in previous years.	0	0	0	0	0	0	0	0	86	**86**	0	0	0	86
Balance on 31/12/2022	**8**	**1**	**2,298**	**75**	**29**	**0**	**0**	**25**	**86**	**2,522**	**(19)**	**(33)**	**(52)**	

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

6.6 Inventories

The table below shows the detailed statement of inventories on 31 December 2022 and on 31 December 2021.

(In Eur)	**31.12.2022**	**31.12.2021**
Finished products and other inventories	1,340,526	755,392
Raw materials, ancillaries and consumables	3,906,329	2,902,162
Unfinished and semi-finished products	1,863,562	1,231,507
Advance payments to suppliers	731,246	859,458
Gross inventories	**7,841,663**	**5,748,519**
Provision for inventory write-downs	(312,235)	(200,000)
Inventories	**7,529,428**	**5,548,519**

The provision for inventory write-downs amounts to Eur 312 thousand on 31 December 2022, and included an allocation of Eur 112 thousand during the year.

The significant increase in Gross Inventory, up by Eur 2,093 thousand e from the previous year, is mainly attributable to the growth of the business for which both finished and semi-finished products and raw materials increased due to production needs, as well as the desire to increase Stock to better cope with the "shortage" of electronic components.

6.7 Trade receivables

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

(In Eur)	**31.12.2022**	**31.12.2021**
Trade receivables from customers	11,182,429	9,771,431
Trade receivables from subsidiaries	60,603	0
Trade receivables from other related parties	0	0
Trade receivables (gross)	**11,243,032**	**9,771,431**
Provision for write-downs of trade receivables	(191,457)	(135,583)
Trade receivables	**11,051,575**	**9,635,848**

Trade receivables amounted to Eur 11,052 thousand compared to Eur 9,636 thousand on 31 December 2021. The increase in Trade Receivables is mainly attributable to the growth in sales.

They represent the receivable for the supply of goods and services and are all with short-term maturity, so the book value is similar to the fair value at the date of preparation of these financial statements.
The amount of write-downs on receivables recorded in the financial statements represents the reasonable estimate of the impairment loss identified against the specific write-off risk identified in the receivables recorded in the financial statements, as well as the expected impairment loss.

The following table provides a breakdown of trade receivables on 31 December 2022.

(In Eur)	Due to expire	Past due up to 30 days	Past due between 31 and 60 days	Past due between 61 and 90 days	Past due over 90 days	Total
Gross trade receivables on 31 December 2022	3,895,881	3,188,209	2,918,773	379,047	769,130	**11,151,040**
Invoices to be issued/Credit notes to be issued	91,992					**91,992**
Provision for write-downs of receivables					(191,457)	**(191,457)**
Trade receivables on 31 December 2022	**3,987,873**	**3,188,209**	**2,918,773**	**379,047**	**577,672**	**11,051,575**

Past due over 90 days, net of the Allowance for doubtful accounts (of Eur 191 thousand), amounts to Eur 578 thousand, and refers, for Eur 128 thousand, to the VAT receivable related to a trade receivable charged as a loss in previous years. The remainder of the overdue amount, Eur 451 thousand, is attributable to receivables from customers with established business relationships to whom further payment extension is granted without detecting any critical issues.

It's important to note that historically, the company tends to see a surge in billing and shipping activities during the final quarter of the year. As a result, there is typically an increase in trade receivables recorded on the balance sheet at year-end, which is then adjusted during the interim closings. In fact, it should also be noted that total trade receivables, which were up in the fourth quarter of 2022 due to the significant increase in shipments, decreased by about Eur 4,000 thousand in the first months of the year 2023, a symptom of a return to ordinary conditions in payment terms.

Pursuant to Article 2427 No. 6 of the Civil Code, it should be noted that there are no receivables due beyond 5 years.

Below are the changes in the write-downs made on receivables for the financial statements ending 31 December 2022, compared with the previous year:

(In Eur)	Provision for write-downs of trade receivables
Balance on 31 December 2021	**135,583**
Provisions	55,875
Uses	0
Balance on 31 December 2022	**191,457**

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

Assets for work in progress on order, amounting to Eur 23,159 thousand on 31 December 2022, and Eur 17,285 thousand on 31 December 2021, refer to inventories of work in progress on multi-year contracts.
Liabilities for advances on work in progress, amounting to Eur 22,129 thousand on 31 December 2022, and Eur 14,565 thousand on 31 December 2021, include advances received from customers for multi-year construction contracts.

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

(In Eur)	31.12.2022	31.12.2021
Assets for work in progress on order	23,158,643	17,284,535
Advance payments on assets for work in progress	(22,128,827)	(14,564,765)
Net carrying amount of assets for work in progress on order	**1,029,816**	**2,719,769**

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

6.9 Other receivables and current assets

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

(In Eur)	31.12.2022	31.12.2021
Tax and other receivables	3,273,960	2,355,823
Deferred expenses	275,063	576,857
Advance payments	289,284	210,755
Other receivables and current assets	**3,838,306**	**3,143,435**

Tax and other receivables mainly refer to:

- Ires receivables amounting to Eur 1,210 thousand and Irap receivables amounting to Eur 261 thousand owed by the company to the tax authorities;
- tax credit for research and development costs amounting to Eur 505 thousand on 31 December 2022, into which the residual R&D 2020 tax credit of Eur 195 thousand, the 2021 tax credit of Eur 112 thousand and the 2022 tax credit of Eur 197 thousand flows;
- VAT receivable from the tax authorities amounting to Eur 623 thousand on 31 December 2022 (Eur 278 thousand on 31 December 2021);
- tax credit in technologically advanced capital goods amounting to Eur 213 thousand on 31 December 2022 (nil on 31 December 2021);
- credit for Sabatini Contribution in the amount of Eur 41 thousand as of 31 December 2022 (in the amount of Eur 70 thousand as of 31 December 2021);

Prepaid expenses are attributable to different natures of prepayments and mainly incorporate insurance premiums and fees related to IT/digital management. Their decrease is mainly attributable to costs for services, related to the Euronext Milan IPO process, which were deferred on 31 December 2021 because the transaction was finalised in 2022.

Advances and payments on account, amounting to Eur 289 thousand, include advances paid to suppliers during fiscal year 2022.

6.10 Current financial assets

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

(In Eur)	**31.12.2022**	**31.12.2021**
Current financial assets	654,324	1,346,041

On 31 December 2022, Current Financial Assets amounted to Eur 654 thousand, compared with Eur 1,346 thousand on 31 December 2021. Current financial assets include Eur 648 thousand for the fair value of investments in Sicav/Sicaf/ETF mutual funds deposited in custody at UniCredit S.p.A. On 31 December 2022 (Eur 780 thousand as of 31 December 2021) and Eur 6 thousand for the financial receivable related to the interest income accrued on the escrow account held with Ifis S.p.A. bank. The fair value adjustment on 31 December 2022, generated a finance charge of Eur 125 thousand. See note 7.9 of this document for further details.

The decrease in Current Financial Assets, minus Eur 692 thousand compared to 31 December 2021, is related to the closure of the escrow account related to the commercial bank guarantee issued in 2021 to a customer with whom the sale transaction was concluded in the first half of 2022.

6.11 Cash and cash equivalent

The composition of cash and cash equivalents on 31 December 2022, compared with the situation on 31 December 2021, is shown below:

(In Eur)	**31.12.2022**	**31.12.2021**
Bank and postal deposits	25,919,938	1,717,014
Cash in hand	1,084	2,170
Cash and cash equivalents	**25,921,022**	**1,719,184**

Exposed values can be converted to cash readily, are not subject to constraints or restrictions, and are subject to insignificant risk of change in value.
It is specified that the liquid assets on 31 December 2022 include Eur 10,000 thousand of Time Deposit, a form of investment that consists of an escrow deposit with fixed remuneration, where ready disinvestment is always guaranteed.
It should also be noted that the company has available and unused overdraft facilities and overdrafts amounting to Eur 420 thousand.
For details of the sources and uses that originated the change in cash and cash equivalents on 31 December 2022 compared to the previous year, see the statement of cash flows.

6.12 Net equity

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

(In Eur)	**31.12.2022**	**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	(80,668)	(19,692)
EU-IFRS first-time adoption reserve	(32,454)	(32,454)
Actuarial profits and losses reserve	91,371	(91,561)
Retained earnings (losses)	2,513,883	2,513,883
Net profit	6,974,949	4,878,619
Total net equity	**46,709,543**	**18,303,411**

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

Share capital

On Feb. 17, 2022, following the company's admission to the stock market, the company raised new resources totaling Eur 23,040 thousand (value before placement fees and IPO costs), of which Eur 3,744 thousand were used to increase share capital. On 31 December 2022, the fully subscribed and paid-up share capital amounted to Eur 4,244,000 divided into no. 30,760,000 ordinary shares, no par value indicated and dematerialised.
Each ordinary share of the Company confers the right to one vote at the Company's ordinary and extraordinary shareholders' meetings, as well as other administrative rights provided by the applicable provisions of the law and the Articles of Association.

The following is a summary of the changes in the number of shares outstanding that affected the year 2022:

	Number of Ordinary Shares
Outstanding share on 1 January 2022	**500,000**
Increase in Share Capital	30,260,000
Treasury shares	0
Outstanding shares on 31 December 2022	**30,760,000**

On 31 December 2022, the Company has no share buyback program in place and the Company has no treasury stock in its portfolio. No classes of shares with voting or other rights other than ordinary shares have been issued.
There have also been no financial instruments issued that grant the right to subscribe for newly issued shares.

Share premium reserve

The share premium reserve amounted to Eur 17,565 thousand on 31 December 2022 and increased during 2022 due to the completion of the stock exchange listing process on February 17, 2022. Specifically, the increase resulting from the issuance of new shares to service the IPO resulted in the recognition of the share premium reserve of Eur 19,296 thousand, netted in turn by the placement and listing costs charged to shareholders' equity on the basis of the ratio of the number of new shares issued to the number of existing shares after the IPO transaction in compliance with IAS 32. The costs of the listing (including placement fees) were deducted from the premium reserve in the amount of Eur 1,731 thousand, while the remainder, amounting to Eur 628 thousand, was charged to the income statement in "Costs for Services" and normalised to Adjusted Ebitda.
It should be noted that the costs recognised in equity were recorded net of the tax effect.

Derivatives reserve

The Derivative Reserve, net of deferred tax effect, was recorded against the negative "fair value" of the derivative as of the date of these financial statements. The derivative was entered into to hedge the risk of changes in the exchange rate. For more information, see Note 6.13 "Financial Liabilities (Current and Non-Current)."

EU-IFRS first-time adoption reserve

The reserve from the first adoption of EU-IFRS shows a negative balance of Eur 32 thousand and represents the effects of the transition from the Italian accounting standards to the EU-IFRS.

Actuarial profits and losses reserve

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

The table presented below exhibits the equity items, detailing their source, potential for application and distribution, along with their past utilisation.

(In Eur)	As at 31 December 2022	Origin/nature	Possibility of use	Quota available
Share capital	4,244,000	Capital	B	
Share premium reserve	17,565,228	Capital	A;B;C	17,060,359
Legal reserve	343,931	Profits	A;B	
Extraordinary reserve	15,089,303	Profits	A;B;C;D	15,089,303 (1)
Unrealised foreign currency profit reserve	0,00	Profits	A;B	
Actuarial profits and losses reserve	91,371	Profits		
EU-IFRS first-time adoption reserve	(32,454)	Capital		
Expected cash flow hedge instruments reserve	(80,668)	Capital		
Retained earnings (losses)	2,513,883	Profits	A;B;C;D	
Other reserves	0	Capital	A;B	
Total	**39,734,594**			

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

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

(1) It should be noted that during 2020, the company had availed itself of the powers to revalue intangible assets in particular a patent and corporate know-how in accordance with Law No.126/2020 and consequently the relevant "Revaluation Reserve" had been recorded in tax suspension. As a result of the transaction to international accounting standards this reserve has no evidence in the financial statements, however, in order to ensure the principle of tax neutrality the tax suspension restriction is reconstituted on part of the existing extraordinary reserve in the financial statements in the amount of Eur 9,700 thousand.

6.13 Financial liabilities (current and non-current)

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

(In Eur)	31.12.2022		31.12.2021	
	Current quota	Non-current quota	Current quota	Non-current quota
UniCredit bond loan 2018 (a)			824.746	1.658.934
Total bonds loans	-	-	**824.746**	**1.658.934**
Loans from credit institutions (b)	107,885	-	269.757	107.885
Hedging derivative (c)	62,315	58,792		25.911
MiSE FINANCING (d)	95,542	836,432	93.668	931.972
Simest Financing (e)	4,016	28,299		
Payables for credit cards	1,649		3.488	
Total loans	**271,406**	**923,523**	**366.913**	**1.065.768**
Total Financial Liabilities	**271,406**	**923,523**	**1.191.659**	**2.724.701**
Total current quota and non-current quota		**1,194,929**		**3,916,360**

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

(In Eur)	As at January 1, 2022	Loans taken	Change in hedging derivatives	Repayments	Amortised cost	As at 31 December 2022
Current and non-current financial liabilities	3,916,360	39,149	95,196	(2,871,416)	15,639	1,194,929
Total financial liabilities	**3,916,360**	**39,149**	**95,196**	**(2,871,416)**	**15,639**	**1,194,929**

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

a. *Bond loans*

UniCredit Bond Loan

On December 21, 2018, the Company issued an interest-bearing bond loan expiring on December 21, 2024 for the initial nominal value of Eur 5 million; which was subscribed by an investor qualified pursuant to Art. 2483 Civil Code. and such loan is recognised in the "bonds" item based on the amortised cost criterion.
The debt obligations bear interest at a nominal variable rate equal to the three-month Euribor plus 200 basis points (2%) per year, the interest thus matured on the obligations is paid in arrears every quarter.
On May 2022, following agreements with UniCredit S.p.A., the Company exercised the full early redemption option of the Loan granted to it under Article 5.2 (Early Redemption at the Issuer's Option "Call Option") of the Loan Regulations. The Company proceeded to repay the Loan in full in advance by paying UniCredit S.p.A. an amount of Eur 2,319,372.87, including accrued interest and early redemption cost of 1% (one percent) of the Residual Nominal Value. The company also proceeded at the same time to close the relevant IRS, see section "C) Hedging Derivative".

The company has no loan agreements in place that require compliance with financial parameters.

b. *Financing with credit institutions*

(In Eur)	31.12.2022		31.12.2021	
	Current quota	**Non-current quota**	**Current quota**	**Non-current quota**
Creval Sabatini Loan (B 1)	0	0	17,196	0
Banca Intesa 2018 loan (B 2)	0	0	124,438	0
Intesa 120280 loan (B 3)	107,885	0	128,123	107,885
Total	**107,885**	**0**	**269,757**	**107,885**
Current Payables to Banks	1,649		3,488	
Total Loans	**113,549**	**28,299**	**273,245**	**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. It was thus that, in January 2018, the company stipulated a loan for the total amount of EUR 400 thousand with Banca Creval.
This loan was repaid on February 08, 2022 with the payment of the last installment under the repayment plan.

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.
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.
It was paid off on October 31, 2022 with the payment of the last installment under the repayment plan

B 3) Unsecured Banca Intesa – Sabatini loan 2019

On 28 November 2019, the company entered into a mortgage agreement with Banca Intesa for a total amount of EUR 500,000. The loan has a maturity date of 31 October 2023 and requires repayment in increasing monthly installments, beginning on 31 December 2019. Monthly interest is to be settled in arrears, starting from 30 November 2019.
It should be noted that this loan is supported by the Guarantee Fund for Small and Medium Enterprises, which was established under art. 2, paragraph 100, letter a) of Italian Law 662/96 and is regulated by decrees issued by the Ministry of Industry, Trade and Small Business on 31/05/1999 no. 248 and 03/12/1999, as well as by a decree issued by the Ministry of Production Activities on 23/09/2005.

c. *Hedging Derivative*

As a result of the early termination of the bond contract, the related IRS contract was also terminated early, effective May 10, 2022. The replacement cost related to the derivative contract, as of the closing date, is Eur 9,400 charged to UniCredit Bank.

The latter therefore paid this amount to the company. For more details, please refer to the section "Bond under (a)."
During 2022, two currency option contracts were signed to hedge asset items. The item "Hedging Derivative" includes on 31 December 2022 the negative "fair value" of these Forwards maturing on December 29, 2023 (negative MtM of Eur 62 thousand) and maturing on December 29, 2025 (negative MtM of Eur 59 thousand).

d. MiSE financing - 2018

On February 05, 2018, the company Civitanavi Systems SpA, in the context of Law 24.12.1985 no. 808 concerning "Interventions for the development and increase of competitiveness of industries operating in the aeronautical sector," requested funding for the project "FOGPIC Fiber Optic Gyroscope Photonic Inertial Chip," equal to 75% of the costs/expenditures of research and development activities referring to the years 2018-2019-2020, broken down by annual installments and with the relevant expenditure allocated for each year.
In 2021, the last statement was submitted, which resulted in a grand total disbursed as of 31 December 2021 of Eur 1,427 thousand. This amount, recorded at amortised cost, will have to be repaid by the Company only in the portion of the loan, equal to 80% of the amount disbursed, for Eur 1,142 thousand, since, the remaining 20% is non-refundable. Repayment will be made in 10 annual installments of Eur 114 thousand each, without the application of interest charges.
The first installment was paid in October 2022.

e. Simest Financing

As part of the Facilitated Financing from PNRR resources, the company has entered into a low-interest loan with Simest under the "de minimis" regime equal to 75 % of the expenditure and with a Temporary Framework grant equal to 25% of the expenditure. It aims to support participation in a single event of an international nature to promote business activity in foreign markets. This event has been identified by the Company as the "Farnborough International Airshow 2022 - Farnborough (UK)" exhibition.
The company, with a contract finalised on Feb. 08, 2022, received the amount of Eur 50 thousand as an advance equal to 50% of the expected amount of expenses for participation in the event, pro-rata of the Loan and the Grant-in-Aid.
The amount recorded in financial debt relates only to the financed portion, valued at amortised cost, which will be repaid in six semiannual installments starting on 08/08/2023 and ending on 08/02/2026.

6.14 Defined benefit schemes

Defined benefit plans include the liability for employee benefits, amounting to Eur 822 thousand, and the payable for end-of-mandate indemnity of the Chairman of the Board, amounting to Eur 20 thousand.

The table below shows the composition and changes in defined benefit plans for the year ended 31 December 2022.

(In Eur)	Severance indemnity
Balance on 31 December 2021	**878,173**
Current service cost	183,315
Directors’ end-of-mandate indemnity	20,000
Financial expenses	15,991
Actuarial losses/(profits)	(240,700)
Benefits paid	(34,413)
Balance on 31 December 2022	**822,367**

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

On 31 December 2022, defined benefit schemes refer to the severance indemnity (hereinafter "TFR") put aside as a provision for employees.
Considering the insignificant impact on 31 December 2022, the company did not discount the payable for end-mandate indemnity to the director.

Severance indemnity (TFR)

Employee benefits relating to TFR amount to Eur 822 thousand and Eur 878 thousand on 31 December 2022 and on 31 December 2021, respectively.

The value of the TFR-related payable, which falls under the definition of defined benefit schemes in accordance with IAS 19, was determined in accordance with actuarial logics. The annual discount rate used to determine the present value of the obligation was derived, consistent with par. 83 of IAS 19, from the Iboxx Corporate AA index with duration 10+ recognised as of the valuation date. For this purpose, the yield having a duration comparable to the duration of the collective of workers being evaluated was chosen.

The following are the main actuarial, financial, and demographic assumptions used to determine the value of the liability on 31 December 2022 in accordance with the provisions of IAS 19.

Summary of technical economic basis *(as a percentage)*	**As at 31 December 2022**
Annual discount rate	3.77%
Annual inflation rate	2.30%
Annual TFR increase rate	3.23%
Annual salary increase rate	0.50%
Death	RG48 mortality tables published by the General Accounting Office
Disability	INPS tables by age and sex
Retirement	100% when the AGO [Mandatory General Insurance] requirements are met, as adjusted to (It.) Decree Law 4/2019
Probability of early TFR	1.00%
Annual turnover rate	3.00%

The table below summarises the sensitivity analysis for each actuarial, financial, and demographic assumption, showing the effects (in absolute value) there would be as a result of changes in actuarial assumptions that were reasonably possible on 31 December 2022.

Sensitivity analysis 2022	**As at 31 December 2022**
Turnover rate +1.00%	802,286
Turnover rate -1.00%	774,464
Inflation rate +0.25%	810,080
Inflation rate -0.25%	769,712
Discount rate +0.25%	764,526
Discount rate -0.25%	815,836

The table below shows the estimate of expected payments (at nominal value) on 31 December 2022 relating to the TFR in future years.

Years	**Disbursements foreseen (in EUR)**
2023	54,508
2024	52,287
2025	60,054
2026	99,740
2027	72,968

6.15 Provisions for risks and charges

The general criteria of prudence and accrual were observed in the valuation of contingent liabilities, and no provisions were made since there were no probable contingent liabilities on 31 December 2022. Therefore, no appropriation has been made and there are no movements in the observed fiscal year.

6.16 Trade payables

The composition of Trade payables on 31 December 2022, compared with the situation on 31 December 2021, is shown below:

(In Eur)	**31.12.2022**	**31.12.2021**
Trade payables to suppliers	7,446,985	3,191,010
Trade payables to subsidiaries	0	0
Trade payables to other related parties	68,592	149,881
Trade payables	**7,515,577**	**3,340,891**

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

The significant increase compared to 31 December 2021 is mainly attributable to the growth in business volume and the need to increase procurement in order to cope with the risk of shortage of electronic components.

6.17 Tax payables

Tax payables on 31 December 2022 amounted to Eur 244 thousand compared to Eur 672 thousand on 31 December 2021.

The item only includes liabilities for certain and determined taxes, in particular it refers to:

- withholdings at source on employment, assimilated and self-employed debts in the amount of Eur 235 thousand on 31 December 2022, and Eur 176 thousand in 2021;
- liability related to substitute tax on revaluation of provisions for Employee Severance Indemnity (TFR) amounting to Eur 8 thousand on 31 December 2022 and Eur 3 thousand on 31 December 2021.

6.18 Other current payables and liabilities

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

(In Eur)	**31.12.2022**	**31.12.2021**
Payables to employees	1,100,165	906,068
Payables to pension institutions	605,515	482,748
Deferred income	657,402	118,249
Payables to the Chairman of the BoD and Ceo	19,091	30,679
Accrued liabilities	8	1,006
Advance payments from customers	2,654,519	1,068,572
Other	75,560	9,226
Other current payables and liabilities	**5,112,261**	**2,616,548**

Payables to employees, amount to Eur 1,100 thousand on 31 December 2022, and Eur 906 on 31 December 2021, include the debt related to December salaries that are paid in the first days of January 2023 and the debt related to accrued and unused holidays.

Payables to pension institutions amounted to Eur 606 thousand on December 2022 (to Eur 483 thousand in the previous year) and refer to the amounts charged to the company and the deductions made from employees for contributions on salaries, in accordance with current regulations.

Deferred income refers to capital grants decided by the Region of Marche for the purchase of machinery recognised in the item "Other revenues," interest subsidies DM 25/01/2016 Nuova Sabatini referred to in the MiSE Decrees of 14/02/2018, 09/04/2019 and 02/03/2020, R&D tax credit contribution for the component referring to capitalised development projects, as well as for investments in capital goods made in 2020 and 2021 pursuant to Art.1 paragraph 185 of Law 160/2019 and pursuant to Art.1 paragraphs 1051 to 1063 of Law 178/2020.

Advance payments from customers amounted to Eur 2,655 thousand on 31 December 2022 and Eur 1,068 thousand on 31 December 2021. This item increased due to advance payments received and referring to orders placed in 2022 yet to be fulfilled.

7. Notes to the income statement

7.1 Operating revenues

On 31 December 2022, operating revenues amount to Eur 34,132 thousand and are composed of Eur 1,105 thousand from changes in inventories of finished and semi-finished products and Eur 33,027 thousand from contracts with customers, including Eur 5,874 thousand from changes in assets for contract work in progress.
Below please find a summary of the breakdown of revenues by “type”:

(In Eur)	31.12.2022	31.12.2021
Revenues from product sales	23,677,835	17,303,346
Revenues from services	2,614,489	1,703,630
Revenues from royalties	860,167	130,688
Changes in Assets for work in progress on order	5,874,108	4,873,689
Operating revenues net of the change in FP/SFP inventories	**33,026,599**	**24,011,353**
Change in FP and SFP inventories	1,104,954	986,451
Operating revenues	**34,131,554**	**24,997,804**

The table below shows the detailed statement of operating revenues by geographical area for the periods ended on 31 December 2022 and 31 December 2021:

in Eur thousands	As at 31 December 2022	% of total 2022	As at 31 December 2021	% of total 2021
Italy	4,355	13%	5,701	24%
EMEA (except Italy)	22,604	68%	8,881	37%
APAC	4,251	13%	7,656	32%
USA	1,816	6%	1,774	7%
Rest of the World	0	0%	0	0%
Operating revenues net of change in inventories	**33,027**	**100%**	**24,011**	**100%**
Change in inventories of finished and semi-finished Products	1,105		987	
Operating revenues	**34,132**		**24,998**	

Please see the 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 counterpart of the provision for future contract losses, nil as of 31 December 2022 as shown below.

(In Eur)	As at 31 December 2022		
	Change in the financial year	Allocation to the provision for risks	Total
Revenues from Change to WIP 31 December 2022	5,874,108	0	5,874,108

Contract work in progress refers to contracts stipulated specifically for development activities in the aerospace and defense sector.
Almost all contracts with customers stipulated by the Company do not include variable fees.

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. 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 sectors 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 financial years that ended on 31 December 2022 and 2021.

(In Eur)	31.12.2022	31.12.2021
Clawbacks and chargebacks	47,778	5,819
Grants	145,386	101,403
Extraordinary income/capital gains	504	1,781
Other income from subsidiary Civitanavi UK Ltd.	60,603	0
Other	26,106	35,082
Other revenues and income	**280,377**	**144,085**

Other revenues and income amount to Eur 280 thousand as of December 31, 2022, an increase of Eur 136 thousand from the previous year. They increase mainly following the accounting:

- of expense repayment from suppliers related to processing costs that the company incurred for the management of non-conformities encountered in certain components purchased;
- of grants that as of 31 December 2022 include the accrued quota of the Research and Development tax credit related to the years 2021 and 2022 in direct correlation with the costs incurred, grants provided by the Marche Region for investment calls, grants from the Sabatini law for financing of instrumental goods, and grants on investments in instrumental goods 4.0. It should be noted that equipment grants are credited to the income statement in direct relation to the depreciation process to which the assets/projects refer;
- of expense repayments from the subsidiary Civitanavi UK Ltd amounting to Eur 61 thousand for expenses incurred on its behalf during 2022.

7.3 Raw material costs and change in inventories

The table below provides a breakdown of raw material purchases and consumption, for the years ended on 31 December 2022 and 2021.

(In Eur)	31.12.2022	31.12.2021
Purchases of raw materials and consumables	15,009,319	9,372,037
Changes in inventories of raw materials, ancillary materials, consumables and goods	(937,596)	(702,852)
Raw material costs and change in inventories	**14,071,723**	**8,669,186**

As of 31 December 2022, "Costs for the purchase of raw materials, consumables and goods" amounted to Eur 14,072 thousand, an increase of Eur 5,403 thousand from the previous year.

The increase in this item is in line with the increase in product sales from the previous year.

7.4 Personnel costs

The table below provides a breakdown of personnel costs for the years ended on 31 December 2022 and 2021.

(In Eur)	31.12.2022	31.12.2021
Salaries and wages	3,619,340	3,153,446
Social security expenses	1,481,208	1,135,812
Expenses for severance indemnity	414,190	295,592
Other	22,000	88,033
Personnel costs	**5,536,738**	**4,672,884**

The cost of labour on 31 December 2022, amounts Eur 5,537 thousand with an increase of Eur 864 thousand compared to 31 December 2021.

This increase is mainly driven by new hires during the year resulting in:

- increase in Social security expenses, Severance indemnity and Others in the amount of Eur 398 thousand;
- Increase in the cost for Wages and salaries by Eur 466 thousand.

It is specified that Wages and Salaries includes the reversal by nature of capitalised costs in Research & Development amounting to Eur 1,271 thousand (Eur 722 thousand as of 31 December 2021). Please refer to note 6.1 of this document.
The table below shows the average and punctual number of the Company's employees for the fiscal years ending 31 December 2022 and 2021, showing the category.

Exact number	31.12.2022	31.12.2021
Blue-collar workers	50	36
White-collar workers	87	76
Middle managers	9	7
Executives	2	2
Total employees	**148**	**121**

Average number	**31.12.2022**	**31.12.2021**
Blue-collar workers	43	23
White-collar workers	82	78
Middle managers	8	6
Executives	2	1
Total employees	**135**	**108**

7.5 Service costs

The table below shows the breakdown of cost of services for the years ended on 31 December 2022 and 2021.

(In Eur)	**31.12.2022**	**31.12.2021**
Utilities and cleaning services	213,799	146,835
Maintenance	42,914	56,082
Transport	137,948	101,826
Consultancy	2,398,825	1,211,563
Technical Services	1,145,411	930,620
Travel and accommodation expenses	269,986	118,685
External processing	123,458	428,095
Marketing and trade fairs	162,507	58,819
Insurance	119,406	73,040
Canteen	169,312	118,444
Commissions	55,122	11,775
Remuneration of BoD	462,086	222,621
Audit firm fees	39,255	44,631
Remuneration of the board of auditors	27,733	9,880
Remuneration of supervisory body	4,186	
Remuneration of Internal audit	27,327	
Other services	103,656	93,917
Service costs	**5,502,933**	**3,626,831**

The item Costs for services, amounting to Eur 5,503 thousand as of 31 December 2022 mainly incorporates costs for consulting, technical and professional services, external processing, maintenance, utilities and cleaning services, and other services.

The increase in Costs for services is mostly attributable to Consulting, amounting to Eur 2,399 thousand in 2022 compared to Eur 1,212 in 2021. They refer mainly to consultancy dedicated to the IPO transaction finalised in February 2022, for the accounting of which see section §6.12 Equity, and to those received subsequently for continuous support even in the post-listing phase.

The item Costs for services also includes the amount of emoluments due to the Company's corporate bodies relating:

- compensation and contributions to directors amounting to Eur 462 thousand (Eur 223 thousand in 2021), a body composed of 7 members from the date of listing on the stock exchange;
- Emoluments of the Board of Statutory Auditors for Eur 28 thousand (Eur 10 thousand in 2021);
- Fees of the Auditing firm for Eur 39 thousand (Eur 45 thousand in 2021).

7.6 Other operating costs

The table below provides a breakdown of other operating costs for the years ended on 31 December 2022 and 2021.

(In Eur)	**31.12.2022**	**31.12.2021**
Costs relating to leases, rentals and licences	169,407	149,764
Taxes and duties	18,288	235,422
Association fees and charity	24,170	15,817
End-of-mandate indemnity for Directors	20,000	4,301
Other minor	9,762	5,401
Other operating costs	**241,627**	**410,705**

Other operating costs amounted to Eur 242 thousand as of 31 December 2022 compared to Eur 411 thousand as of 31 December 2021.

This item includes all ordinary operating costs that cannot be entered in other specific accounting natures. It consists mainly of the following items:

- Costs relating to rentals for Eur 169 thousand (equal to Eur 150 thousand as of 31 December 2021), which include fees for the lease of goods that fall under the recognition exceptions within the scope of application of IFRS 16 (short-term leasing and leasing where the underlying asset is of modest value);
- Taxes and duties for Eur 18 thousand (amounting to Eur 235 thousand on 31 December 2021). As a justification for the decrease recorded on this item, it should be noted that during 2021 the company carried out a tax amnesty by which it regularised its position by paying to the Internal Revenue Service taxes penalties and interest for a total amount of Eur 228 thousand.
- Association fees and charity for Eur 24 thousand (amounting to Eur 16 thousand on 31 December 2021);
- End-of-mandate indemnity for Directors for Eur 20 thousand (amounting to Eur 5 thousand on 31 December 2021).

7.7 Write-downs of net financial assets

Write-downs of net financial assets, amounting to Eur 56 thousand and Eur 49 thousand on 31 December 2022 and on 31 December 2021, respectively, refer to the write-down of trade receivables.
Below please find the detailed statement relating to the movements of the provision for receivable write-downs for the years ended on 31 December 2022 and 2021:

(In Eur)	**31.12.2022**	**31.12.2021**
Provisions and write-downs of receivables current assets	55,875	48,994
Write-downs of net financial assets	**55,875**	**48,994**

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 and Depreciation and write-downs

The table below shows the detailed statement of amortisations/depreciations and write-downs for the financial years that ended on 31 December 2022 and 2021.

(In Eur)	**31.12.2022**	**31.12.2021**
Amortisation and write-downs of intangible assets	204,752	258,902
Amortisation and write-downs of tangible assets	649,951	577,813
Amortisation and write-downs of right-of-use assets	164,782	181,807
Provisions for risks	0	0
Amortisation and Depreciation and write-downs	**1,019,485**	**1,018,522**

Depreciation and amortisation amounted to Eur 1,019 thousand as of 31 December 2022 in line with the amount recorded as of 31 December 2021.

7.9 Financial income and expenses

The table below shows the detailed statement of financial revenues for the financial years that ended on 31 December 2022 and 31 December 2021.

(In Eur)	**31.12.2022**	**31.12.2021**
Interest receivable	8,487	13
Net foreign currency profits	358,687	14,818
Income from derivative contracts	9,400	0
Capital gains on financial investments	0	62,140
Revaluation of financial investments	30	16,300
Other financial income	6,317	6,442
Financial income	**382,921**	**99,714**

The item Financial Income is recognised for Eur 383 thousand and presents an increase of Eur 283 thousand compared to 31 December 2021. This increase is mainly attributable to Net Foreign Exchange Gains, which amounted to Eur 359 thousand in 2022 as a result of the fluctuating trend of the Eur and U.S. dollar rate curves.

The table below provides a breakdown of financial expenses for the years ended on 31 December 2022 and 2021.

(In Eur)	**31.12.2022**	**31.12.2021**
Interest on bonds loans or loans	76,313	63,878
Bank interest	2,998	3,317
Net foreign currency losses	156,341	37,020
Interest on lease liabilities	38,985	48,852
Interest on the discount of benefit schemes	15,991	3,314
Capital losses from financial investments	6,553	8,807
Write-down of financial investments	125,253	13,253
Expenses for derivative contracts	5,506	25,023
Other financial expenses	5	514
Financial expenses	**427,946**	**203,978**

Financial expenses amounted to Eur 428 thousand as of 31 December 2022, an increase of Eur 224 thousand compared to the previous year, mainly due to the write-down of investments in financial assets, following the fair value adjustment as of that date, and to Net Foreign Exchange Losses, which showed a balance of Eur 156 thousand compared to Eur 37 thousand as of 31 December 2021, an increase attributable to the fluctuating trend of the Eur and U.S. dollar rate curves.

7.10 Income taxes

The table below shows the detailed statement of income taxes for the financial years that ended on 31 December 2022 and 2021.

(In Eur)	**31.12.2022**	**31.12.2021**
Current taxes	(1,976,829)	(1,504,001)
Deferred taxes	(297,030)	(264,059)
Taxes relating to previous financial years	1,310,284	56,176
Income taxes	**(963,575)**	**(1,711,884)**

Income taxes amounted to Eur 964 thousand, a decrease compared to the previous year mainly due to the effect of the recognition in Previous Years Taxes of the Patent Box partially offset by the higher 2021 tax recognised in the 2022 Income Tax Return. In addition, income taxes are impacted by Eur 693 thousand regarding the current IRES and IRAP tax effect for the portion of costs incurred for the IPO process charged directly to equity adjustment.

Patent Box 2017-2021 Intellectual Property: in December 2022, the company signed a ruling agreement with the Internal Revenue Service that allows the company to have access to the tax relief provided for the Patent Box for intellectual property (patents and know-how). The tax benefit for the five-year period 2017-2021 has been accounted for in Taxes previous years totaling 1,327 thousand for IRES and IRAP purposes. Introduced by the Italian Government with the Stability Law of 2015, the Patent Box is an optional tax regime that allows for the exclusion from taxation of a portion of income derived from the use of intellectual property, including industrial patents, trademarks, designs and models, as well as processes, formulas and information related to legally protectable industrial, commercial or scientific experience.

Patent Box 2021 Software: on its 2021 income tax return, the company benefited from the Patent Box 2021 under Art. 6 of Decree Law October 21, 2021, no. 146, converted with amendments by Law Dec. 17, 2021, no. 215, as subsequently amended by Law Dec. 30, 2021, no. 234 (Budget Law 2022), which regulates an optional preferential taxation scheme for income from the use of copyrighted software, industrial patents and designs. Subsidised intangible assets, which are the subject of industrial property rights or legally protected, fall under the category of "copyrighted software" and the tax benefit amounted to Eur 46 thousand.
Patent Box benefits resulted in a tax loss in the year 2022 amounting to Eur 86 thousand for which a deferred tax asset was recorded.

The table below shows the reconciliation of the theoretical tax rate with the actual impact on income before taxes for the years ended on 31 December 2022 and 2021.

(In Eur)	**31.12.2022**	**31.12.2021**
Profit before taxes	7,938,525	6,590,503
Theoretical rate	24%	24%
Theoretical tax burden	(1,905,246)	(1,581,721)
Tax effects of non-taxable revenues	41,868	3,951

IRAP [Regional Income Tax]	(369,950)	(290,758)
ACE [Aid for Economic Growth]	0	110,792
Tax effect of non-deductible costs	(151,073)	(75,524)
Tax benefit from re-measurement	287,300	287,300
IRES tax benefit from Patent Box previous years	1,111,301	0
IRES tax effect IPO expenses charged to equity	581,388	0
Other	(559,163)	(165,924)
Income taxes	**(963,575)**	**(1,711,884)**

7.11 Earnings per share (EPS)

The table below shows the statement of earnings per share for the financial years that ended 31 December 2022 and 2021.

(In Eur)	**31.12.2022**	**31.12.2021**
Net profit	6,974,949	4,878,619
Number of shares outstanding	30,760,000	500,000
Treasury shares	0	0
Number of shares entitled to profits	**30,760,000**	**500,000**

Basic earnings per share	**0.23**	**9.76**
Diluted earnings per share	**0.23**	**9.76**

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 tables provide the details of economic and financial relations with related parties during 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
Civitanavi UK Ltd	A wholly owned subsidiary of Civitanavi Systems S.p.A.
Lucia Cingolani	Spouse of the Chairman of the Board of Directors and Chief Executive Officer.
Directors and Executives with Strategic Responsibilities	Directors and Executives with Strategic Responsibilities: includes the emoluments paid to executives with strategic responsibilities for their employment relationship and the emoluments for the office of directors.

The table below summarises the Company’s financial transactions with related parties on 31 December 2022.

RELATED PARTIES *in Eur thousands*	**Acutronic Switzerland**	**Alan Kaile**	**Damiani**	**Civitanavi UK**	**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**
Plant, machinery and equipment									
as at 31December 2022	369						369	2,282	16%
Investments in subsidiaries and other financial assets									
as at 31 December 2022				12			12	62	19%
Trade receivables									

as at 31 December 2022				61			61	11,052	1%
Defined benefit schemes									
as at 31 December 2022					63	22	86	822	10%
Trade payables									
as at 31 December 2022		26	42				69	7,516	1%
Other current payables and liabilities									
as at 31 December 2022					72	9	81	5,112	2%

The table summarises the Company's economic relations with related parties as of 31 December 2022.

RELATED PARTIES *in Eur thousands*	**Acutronic Switzerland**	**Alan Kaile**	**Damiani**	**Civitanavi UK**	**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 31 December 2022	2			61			63	280	22%
Raw material costs and changes of inventories									
as at 31 December 2022	772						772	14,072	5%
Service costs									
as at 31 December 2022	11	76	66		463		617	5,503	11%
Personnel costs									
as at 31 December 2022					260	70	330	5,537	6%
Other operating costs									
as at 31 December 2022	5						5	242	2%

The costs and revenues, payables and receivables shown above refer to the following specified relationships:

- relations with Acutronic Switzerland Ltd are of a commercial nature and managed in Eur. In particular, Acutronic provides motion simulation machinery, spare parts and related support. One piece of machinery and one asset for resale were purchased in 2022;
- Alan Kaile conducts consulting activities for business purposes, and relations are managed in GBP;
- Mario Damiani provides consultancy services for commercial purposes, and relations are managed in Eur. As of February 17, 2022, Damiani is serving on the Board;
- Civitanavi UK Ltd: in 2022, Civitanavi Systems S.p.A. disbursed to a first part of the loan amounting to Eur12 thousand. During 2022, Civitanavi Systems S.p.A. also incurred, in the name and on behalf of the subsidiary, costs for the activation of its operation by recharging Eur 61 thousand.
- the "Spouse of the Chairman of the BoD and Chief Executive Officer" is engaged in employment.

Equity and economic relations with related parties as of 31 December 2021 are summarised in the following tables:

RELATED PARTIES *in Eur thousands*	**Civitanavi Systems Ltd**	**Acutronic Switzerland**	**Civitanavi UK Ltd**	**Sensonor**	**Alan Kaile**	**Perlmutter**	**Thomas Jung**	**Attorney at law. Roberta Pizzarulli**	**Damiani**	**Pizzarulli**	**Natural persons relatives of Pizzarulli**	**Total**	**Total item of the financial statements**	**Effect on the item of the financial statements**
Other tangible assets														
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 *in Eur thousands*	**Civitanavi Systems Ltd**	**Acutronic Switzerland**	**Civitanavi UK Ltd**	**Sensonor**	**Alan Kaile**	**Perlmutter**	**Thomas Jung**	**Attorney at law. Roberta Pizzarulli**	**Damiani**	**Pizzarulli**	**Natural persons relatives of Pizzarulli**	**Total**	**Total item of the financial statements**	**Effect on the item of the financial statements**
Raw material costs and changes of inventories														
As at 31 December 2021		5		39								44	8,669	1%
Service costs														
As at 31 December 2021					52	115	8	2	141	193		511	1,987	26%
Personnel costs														
As at 31 December 2021											122	122	4,673	3%
Other operating costs														
As at 31 December 2021											3	3	411	1%

For more details on 2021 transactions with related parties, please refer to the 2021 Annual Financial Report.

The procedure of related party transactions adopted by the company is available on the website at www.civitanavi.com, Governance, Documents and Procedures section.

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

Compensation as of 31 December 2022 due to the Board of Directors, which consists of seven members, four of whom took office following the listing on Euronext Milan, amounted to Eur 399 thousand. Accrued fees related to the Board of Statutory Auditors as of 31 December 2022 amounted to Eur 28 thousand.

10. Compensation to the auditing firm

The compensation as of 31 December 2022 due to the incumbent auditing firm for the performance of the statutory audit 2021-2029 is Eur 35 thousand (compensation referred to limited half-yearly audit and annual audit).
Additional fees paid for "Audit related activities" amounted to Eur 4 thousand referring to the attestation of R&D tax credit. Fees paid for "Other Non-Audit Assets" amounted to Eur 67 thousand mainly related to costs incurred in the first months of the year for the process of listing shares on the Euronext Milan Market managed by Borsa Italiana S.p.A..

11. Commitments and risks

The Company has ongoing bank sureties as guarantee for commitments made for contractual fulfillments with a total guaranteed amount of U.S. Dollars 3,441 thousand to a foreign client company and Eur 224 thousand to Italian companies and public administrations. In addition, the company has signed a surety bond related to the lease of the building in which the company has its headquarters, with a guaranteed value of Eur 50 thousand.

12. Russia-Ukraine Conflict

With reference to the current scenario in Eastern Europe, the conflict between Russia and Ukraine has dealt a sever blow to economic recovery and set the global economy on a path of slowing expected growth and rising inflation. There is no denying that this scenario is a cause for concern especially since the duration, outcomes and consequences of the crisis that this conflict is causing on the fate of the world economy are still unclear.
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 Bodies.
Civitanavi has no relationships of a commercial nature either in purchase or sale with the Russian Federation and Ukraine, and no relationships are planned 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
From the earliest signs, the company has initiated a series of actions to monitor and mitigate short- and medium-term effects. In particular, with respect to inflationary pressures on the energy market and the resulting increase in the prices of raw materials and products used in its production processes, the company has promptly implemented a meticulous planning of its material and component needs by ensuring adequate supply conditions in good time, containing inflationary effects as well as the effects of the *shortage of* electronic components for fiscal year 2022.
The actions put in place, based on what is known to date, ensure adequate coverage of potential effects although further strains in price trends may require revision of the forward-looking 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 restrictions, integrating ad hoc commercial, export and supplier selection procedures.
The company will continue to constantly monitor the situation and possibly update its assessments.

13. Stock Option Plan

The majority shareholder, Civitanavi Systems Ltd, has in previous years implemented a stock option plan for the benefit of Civitanavi Systems S.p.A. employees. which provided for the grant of an option right to subscribe for shares in Civitanavi Systems Ltd at a symbolic strike price of CHF 1. The options granted represented a maximum total amount of 5.4% of the share capital of Civitanavi Systems Ltd. Civitanavi Systems S.p.A.'s IPO event. resulted in all options granted being vested on the date of the start of trading on the electronic market.

The movement in the exercise of the number of options granted to employees of Civitanavi Systems S.p.A.

	Number of stock options on shares Civitanavi Systems LTD	Number of stock options on shares Civitanavi Systems S.p.A.
In circulation at the beginning of the fiscal year	**6,361**	**0**
Assigned during the exercise	1,438	0
Cancel during the exercise	0	0
Exercise during the exercise;	0	0
Expired during the exercise;	0	0
Outstanding at the end of the fiscal year	**7,799**	**0**
Conversion February 1, 2023	**(7,799)**	**1,290,000**
Exercised February 1, 2023	**0**	**(1,290,000)**

As of 2018, none of the beneficiaries has seen fit to exercise the option being the underlying - non-liquid - linked to an equity instrument of the holding company Civitanavi Systems Ltd whose probability (as of today certainty) of exercising these pre-addendum stock options was zero, and consequently the relative fair value of the stock options as of 31 December 2022 was also valued at zero, in accordance with the definition in Appendix A of IFRS 2.
On February 1, 2023, Civitanavi Systems Ltd signed with the employees who were beneficiaries of the original Plan, an addendum in which the Parties mutually agreed to modify the option rights granted to employees free of charge in contrast to the initial contract, providing for the allocation, downstream of the relevant exercise of options, of new equity instruments (Civitanavi Systems S.p.A. shares in lieu of the shares of the parent company Civitanavi Systems Ltd) and, on the date of allotment of these new instruments, the entity identifies them as replacement instruments for the cancelled ones. The amendments cancelled the object of the stock option plan by substantially changing the agreement and consequently the fair value of the stock option plan and in accordance with the provisions of IFRS 2 (par. 27 and 28) will have an accounting impact in the 2023 financial statements of Civitanavi Systems S.p.A. because the incremental fair value assigned is the difference

between the fair value of the replacement equity instruments and the net fair value of the cancelled instruments, measured at the date the replacement equity instruments were assigned.

The employees, on February 1, 2023, therefore obtained the replacement option rights and at the same time exercised them, at the closing stock market price on January 31, 2023 of Eur 3.45 per share. The total number of shares exercised was 1,290,000 at a value of Eur 4,450,500 and is equal to 100% of the stock options granted.

Civitanavi Systems S.p.A. shares. were transferred to employees by Civitanavi Systems SpA, net of tax considerations. Civitanavi System S.p.A. acted as a tax withholding agent, since these allocations were connected with the work services performed by employees in favor of the same: in accordance with current regulations, therefore, the total number of shares transferred to employees is 694,703, corresponding to 2.26% of the Share Capital of Civitanavi Systems S.p.A.

The capital of Civitanavi Systems S.p.A. results therefore as follows:

- Civitanavi Systems Ltd from 72.6% to 70.3%
- Free Float from 27.4% to 29.7%

For greater clarity, it is specified that the transaction does not involve any increase in share capital for Civitanavi Systems S.p.A. and the financial outlay is in the hands of Civitanavi Systems Ltd.

14. 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 Article 2447 bis letter a) of the Civil Code.

15. 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.

16. Research and development activities

The R&D activity carried out by the Company is aimed at both the introduction of new products and the implementation of new production processes. The activity consists of different stages, ranging from ideation and initiation of the design process of the new product or process to large-scale industrialisation. For more detail, please refer to the relevant section of Directors' Report on Operations

17. Significant events subsequent to the close of the financial year

Regarding subsequent events evaluated by the company, please refer to the section "Significant events after the end of the year" in the Directors' Report on Operations.

18. Information pursuant to Art. 1, Paragraph 125 of Law Aug. 4, 2017 no. 124

Relative to the provisions of Art. 1 paragraph 125, third sentence of Law 124/2017 concerning the obligation to declare grants, contributions, paid assignments and in any case economic benefits of any kind obtained from public administrations and equivalent bodies, it should be noted that the Company in the year 2022 obtained the following state aid (de minimis and non-de minimis) from public administrations, following the cash basis:

- New Sabatini "Facilitation for the purchase of machinery and structural assets" amounting to Eur 29 thousand;
- Announcement Marche region Action 1.3.1 "Promoting Business Innovation Processes" amounting to Eur 58 thousand;
- PNRR - FUND 394/81: Participation of SMEs in international fairs and exhibitions, including in Italy, and system missions for the non-repayable portion amounting to Eur 13 thousand

Please refer to the National Register of State Aid for specific reference.

- It should also be noted that the company has benefited from the tax credit for non-energy and other than heavy natural gas consuming companies in the amount accrued for 2022 amounting to Eur 22 thousand; the same was partially used in the past fiscal year, the remainder will be in the early months of the current year.

19. Proposed allocation of profits

It is proposed to the shareholders' meeting to allocate the net profit for the year as ended December 31, 2022 amounting to Eur 6,974,949, as follows:

- to the legal reserve for Eur 348,747
- to the reserve for unrealised gains on foreign exchange for Eur 76,161
- to the extraordinary reserve for Eur 2,551,241
- distribution of dividends for Eur 3,998,800 (0.13 euro per share)

Pedaso, March 16, 2023

Chairman of the Board of Directors and CEO
Andrea Pizzarulli

Attestation of Manager in charge of Financial Reporting

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

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

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

of administrative and accounting procedures for the preparation of financial statements in the year 2022.

2. We also attest that:

2.1 the Financial Statements:

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

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

16 March 2022

Signed by
Andrea Pizzarulli
Chief Executive Officer

Signed by
Letizia Galletti
Manager in charge of Financial Reporting

Opinion of the Board of Statutory Auditors

Civitanavi Systems SpA
Registered office in Pedaso (FM) – Italy, Via del Progresso 5, 63827
CF and registration number in the Marche Company Register: 01795210432
REA no. FM-200518
Institutional website: www civitanavi com

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors to the Shareholders' Meeting of "Civitanavi Systems SpA" pursuant to art. 2429, paragraph 2 of the Civil Code and art. 153 of Legislative Decree 58/98 convened for the approval of the Financial Statements as at 31 December 2022

Dear Shareholders,

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

Premise

This report refers to the activity carried out by the Company's Board of Statutory Auditors for the financial year ended 31 December 2022, noting that trading of Civitanavi Systems SpA shares on the Euronext Milan market managed by Borsa Italiana SpA was launched on 17 February 2022.

From the date of its appointment, which took place with the shareholders' meeting of 7 October 2021, and until today, the Board of Statutory Auditors has carried out its supervisory activity in accordance with the provisions of the Law, taking into account the principles of conduct recommended by the Italian National Council of Chartered Accountants and Accounting Experts (as updated with the provision of the CNDCEC of 18/12/2020), the CONSOB provisions on corporate controls, as well as the provisions contained in art. 19, Italian D. Lgs. 39/2010.

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

The general principles adopted in preparing the financial statements are indicated in the Notes to the financial statements.

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

The Company is not required to submit the declaration pursuant to art. 3 of Legislative Decree no. 254/2016 (individual declaration of a non-financial nature), having not exceeded the dimensional limits pursuant to art. 2 of the aforementioned decree.

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

Appointment and independence of the Board of Statutory Auditors

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

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

In the 2022 financial year, the Company's Board of Statutory Auditors carried out, with a positive outcome, the annual verification of the possession, by all members, of the requisites of independence and professionalism envisaged by article 148, paragraph 3, of Legislative Decree 58/ 1998 (TUF), as well as by recommendation no. 9 of article 2 of the Corporate Governance Code of Listed Companies, approved by the Corporate Governance Committee and promoted by Borsa Italiana SpA on the independence of statutory auditors of listed companies, also on the basis of the statements and information provided by each statutory auditor.

The Board of Statutory Auditors, in the meeting of 26 October 2022, in accordance with the rule Q.1.1. of the "Rules of conduct of the board of statutory auditors of listed companies" of the National Council of Chartered Accountants and Accounting Experts, formalized the self-assessment activity of the same Board by drawing up a specific disclosure reported in the minutes of the aforementioned meeting and communicated to the Board of Directors.

The composition of the Board of Statutory Auditors complies with the gender distribution criterion pursuant to art. 148 of Legislative Decree 58/98 (TUF).

Supervisory and control activities of the Board of Statutory Auditors

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

Supervisory and disclosure activity required by CONSOB

The Board, in carrying out its duties, carried out the supervisory activity prescribed by art. 2403 of the Civil Code and by art. 149, Legislative Decree 58/1998, by the recommendations of CONSOB regarding corporate controls and activities of the Board of Statutory Auditors, in compliance with the indications contained in the Corporate Governance Code, with the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants and Accounting Experts. In drafting this Report, account was taken of CONSOB communications no. 1025564 of 6 April 2001, no. 3021582 of 4 April 2003 and no. 6031329 of 7 April 2006, concerning the content of the reports to the Assemblies of the Shareholders by the Boards of Statutory Auditors of companies with shares listed on the stock exchange.

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

- during the 2022 financial year it met five times, with an average duration of the meetings equal to four hours;
- participated, during the year ended 31/12/2022, in six meetings of the "Control, Risks and Transactions with Related Parties Committee" and two meetings of the "Remuneration and Appointments Committee". Both committees became operational starting from the date of admission of the Company's shares to trading on the Euronext Milan market (17 February 2022);
- participated, in the financial year ended 31/12/2022 - in two meetings of the Shareholders' Meeting and ten meetings of the Board of Directors, supervising compliance with the statutory, legislative and regulatory provisions governing the functioning of the Company's bodies, as well as compliance with the principles of fairness administration;
- supervised, within the scope of its competence, the adequacy of the Company's organizational structure and compliance with the principles of correct administration, through direct observations, collection of information from the managers of some corporate functions and meetings with the auditing firm BDO Italia SpA (hereinafter "BDO" or "Auditing Firm"), in the context of a mutual exchange of data and relevant information;
- evaluated and supervised the adequacy of the internal control system and the administrative and accounting system, as well as the reliability of the latter in correctly representing management events, through the information of the heads of the respective functions, the examination of company documents and the analysis of the results of the work carried out by the Auditing FIrm;
- with reference to the reciprocal flows of information between the Company and its subsidiary Civitanavi UK Ltd. it should be noted - pursuant to art. 114, paragraph 2, Legislative Decree 58/1998 - that the same, started in 2022, carried out a limited activity and only in January 2023 hired four engineers, while the contract for lease of corporate headquarters located in Bristol is in the finalization stage; the economic-financial relations between the two companies are detailed in the explanatory notes to the financial statements; it is acknowledged that the Company, in accordance with the provisions of Legislative Decree 127/1991 and subsequent amendments, did not draw up the consolidated financial statements as the subsidiary Civitanavi UK Ltd being irrelevant for the purposes of a true and fair view of the equity, financial situation and economic result of the Group. This approach is also valid pursuant to the application of the EU-IFRS International Accounting Standards.

Furthermore, the Board of Statutory Auditors:

- obtained from the Directors - pursuant to art. 150, paragraph 1, Legislative Decree 58/1998 - and by the managing director, with the periodicity envisaged by the legislation and by-laws, adequate information on the most significant economic, financial and equity operations carried out by the Company. In this regard, both collectively and individually, the Board paid particular attention to the fact that the operations approved and implemented complied with the law, with the Articles of Association and were not imprudent or risky, in contrast with the resolutions passed by the Shareholders' Meeting, in potential conflict of interest or such as to compromise the integrity of the company's assets;
- met, during the preparation of the report on the financial statements, with the representatives of the Independent Auditors pursuant to art. 150, paragraph 3, Legislative Decree 58/1998, and no relevant data and/or information have emerged that need to be highlighted in this Report;
- supervised the methods of concrete implementation of the corporate governance rules provided by the Corporate Governance Code to which the Company adheres - starting from the trading of shares on the Euronext Milan market - as adequately represented in the Report on Corporate Governance and Ownership Structures, in compliance of the art. 124- *ter*, Legislative Decree 58/1998, and art. 89- *bis* of the Issuers' Regulation.

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

Pursuant to art. 19, Legislative Decree 39/2010 (Consolidated Law on Statutory Audit), the Board of Statutory Auditors is called to supervise:

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

Financial reporting process

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

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

The Company's Board of Directors, in the meeting of 13 October 2021, designated Dr. Letizia Galletti - CFO of the company - as Manager in charge of preparing the corporate accounting documents - assigning her, with effect from the start date of trading of the Company's shares the following responsibilities:

- draw up accompanying written statements for the Company's deeds and communications disclosed to the market and relating to accounting information, including interim financial reports;

- prepare adequate administrative and accounting procedures for the preparation of the financial statements and, where required, the consolidated financial statements as well as any other communication of a financial nature;
- certify with a specific report on the financial statements and on the condensed interim financial statements (a) the adequacy and effective application of the administrative and accounting procedures for the preparation of the financial statements; (b) that the documents are drawn up in accordance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002; (c) the correspondence of the documents to the results of the accounting books and records; (d) the suitability of the documents to provide a true and fair representation of the Issuer's equity, economic and financial situation; (e) for the financial statements, that the report on operations includes a reliable analysis of the management trend and result, as well as the situation of the Issuer, together with a description of the main risks and uncertainties to which they are exposed; (f) for the condensed interim financial statements, that the interim management report contains a reliable analysis of the information pursuant to art. 154-ter, paragraph 4, TUF.

The Financial Reporting Manager is supported in carrying out his duties by the *internal audit function* which has been deemed competent and impartial in its judgment, as well as having sufficient economic and operational resources.

The Board of Statutory Auditors acknowledges that it has received adequate information on the monitoring of company processes with an administrative-accounting impact within the internal control system, carried out during the year and during the closing of the accounts for the preparation of the financial statements of exercise.

The adequacy of the administrative-accounting system was also assessed through the acquisition of information from the managers of the corporate functions, from the *internal audit function* and through the analysis of the results of the work carried out by the Independent Auditors

No particular critical issues or elements impeding the release of the certification by the Manager in charge of preparing the corporate accounting documents and the Chief Executive Officer emerged regarding the adequacy of the administrative and accounting procedures for the preparation of the Company's financial statements for the exercise 2022.

The Board of Statutory Auditors supervised compliance with the regulations relating to the preparation and publication of the Half-Year Financial Report, as well as the settings given to them and the correct application of the accounting principles, also using the information obtained from the Independent Auditors. The Board has also acquired the certification of the half-year financial statements issued by the Financial Reporting Manager pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions. The half-yearly financial report as at 30 June 2022 was approved by the administrative body of the Company in the meeting of 23 September 2022 and was published on the same date.

The Board has acknowledged that the Company has voluntarily published the additional periodic financial reports relating to the first and third quarters of 2022, approved by the administrative body, respectively, in the meetings of 29 April 2022 and 28 October 2022.

In relation to the information on corporate sustainability, we highlight the launch, by the Company, of a process which provides for the publication of the first Sustainability Report - relating to the financial year ended 31/12/2022 - in the second quarter of 2023. The decision was taken by Civitanavi Systems SpA, which is not legally required to draft the Non-Financial Statement pursuant to Legislative Decree 254/2016, in order to ensure a better understanding of the ESG impact produced by the activities carried out from the Company.

Supervisory activities on the effectiveness of the internal control and risk management systems

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

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

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

As part of its control activity, in particular, the Board of Statutory Auditors acknowledges having received and examined:

– the periodic reports on the activity carried out by the Control, Risks and Transactions with Related Parties Committee;

– the reports issued quarterly by the Head of Internal Audit containing periodic updates on the evolution of the risk management and mitigation process, the outcome of the monitoring and assessment activities carried out by Internal Audit, as well as the objectives achieved.

The Board of Statutory Auditors attended all the six meetings held by the Internal Control and Risk Committee and the Remuneration and Appointments Committee held during the year ended 31/12/2022.

At the meeting of 4 July 2022, the administrative body of the Company approved the adoption of the Organization, Management and Control Model pursuant to Legislative Decree 231/2001 ("MOG") consisting of a General Part and ten special parts referring to the different types of predicate crimes. At the same meeting, the adoption of the Code of Ethics was approved and a mandate was given to the Chairman of the Board of Directors to organize training activities. The administrative body has also established the single-member Supervisory Body for a period corresponding to the duration of the Board of Directors and, therefore, until the approval of the financial statements as at 31/12/2023, assigning to the same Supervisory Body the duties and powers specifically indicated in the MOGC and attributing a specific annual budget of which the OdV may arrange for the proper performance of its duties and for the appointment of any external consultants.

The Board has periodically met with the Supervisory Body and has examined the periodic reports on the activity carried out by the same and the annual report on the application of the organization and control model, verifying the activity plan and the budget. Similarly, the Board took note of the Compliance activity pursuant to Legislative Decree 231/01 and of the training activity provided to the personnel employed by the SB itself. in "online" mode and certified with a computerized register.

The main risks identified, monitored and managed are listed in the Report on Operations.

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

Statutory audit of the financial statements and independence of the Auditing Company

The Board of Statutory Auditors acknowledges that:

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

– the Board of Statutory Auditors supervised the audit of the annual accounts, informing and discussing with the Independent Auditors.

In particular, all the main phases of the auditing activity were illustrated to the Board, including the identification of risk areas with a description of the relative procedures adopted.

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

In this regard, the Board of Statutory Auditors reports that during the year the Independent Auditors were other conferred tasks than those relating to the statutory audit of the accounts, reported by the Company in the disclosure pursuant to art. 149-duodecies of the Issuers' Regulation in the context of the Annual Financial Report. The Board of Statutory Auditors believes that the related fees are adequate for the size, complexity and characteristics of the work performed and that the assignments for services other than auditing are not such as to threaten the independence of the auditor; the Board also verified that the assignments entrusted to the independent auditors are not among those prohibited pursuant to art. 5 of the European Regulation 537/2014.

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

Finally, it should be noted that on 3 April 2023 the Independent Auditors:

– released the report pursuant to articles 14 and 16 of Legislative Decree 39/2010 and art. 10, European Regulation 537/2014, which shows that the financial statements of the Company as at

31 December 2022 comply with the EU-IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union, as well as with provisions issued in implementation of art. 9 c. 3, Legislative Decree 38/2005, and is drawn up clearly and represents in a truthful and correct way the equity and financial situation, the economic result and the cash flows for the financial year ended on that date. This report does not contain any observations or references to information;

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

The Board of Statutory Auditors points out that the Independent Auditors, as part of the information included in the additional report, have provided confirmation of their independence pursuant to art. 6, par. 2, letter a) of European Regulation 537/2014.

Significant transactions, events and facts of particular relevance.

The most significant transactions that took place in the 2022 financial year are largely connected to the listing of the Company's shares finalized in the first months of the financial year and to the related obligations; in particular:

- the adoption of a new text of the Articles of Association, the split of the company's shares and the capital increase with the exclusion of the pre-emption right to service the admission of the shares to trading on Euronext Milan, all by the shareholders' meeting of 13 January 2022;
- the start of trading of Civitanavi Systems SpA shares on the Euronext Milan regulated market, which took place on 17 February 2022. Based on the Offer Price, the total amount of the Institutional Placement was approximately Euro 33.7 million and the free float equal to 27.42% of the share capital of Civitanavi; the capitalization of the Company, calculated on the Offer Price at the start date of trading, was approximately Euro 123 million. The net proceeds collected by the Company in relation to the Capital Increase, net of commissions paid to the Joint Global Coordinators and the Sponsor, amounted to 22 million Euro;
- the aforementioned adoption of the Organizational Model 231/2001 and the appointment of the Supervisory Body;
- the signing, in July 2022, of an agreement with Honeywell for the development of new inertial navigation tools for customers in the aerospace sector;
- the entry, in August 2022, into the research group of the European Defense Fund for the demonstration of a quantum vector gravimetric and inertial navigation system (Q-SiNG). The European Defense Fund has selected 61 research and development projects in the Aerospace and Defense sector which will be able to take advantage of a loan of 1.2 billion Euros made available

by the European Union, of which 900 thousand Euros will go to Civitanavi Systems SpA;

– the signing, also in August 2022, of an agreement with IEROM LTD, a company specialized in urban air mobility based in London. The purpose of the agreement is to explore the possibility of integrating IEROM Ltd's collision avoidance systems into Civitanavi Systems' more advanced navigation systems to offer a wider spectrum of services in the national and international aerospace and defense industries, such as l avionics, urban air mobility, space vehicles, hydrographic and geological exploration;

– the closure, in December 2022, of the ruling agreement with the Revenue Agency which allows the company to access the tax relief provided for the Patent Box for intellectual property (patents and know-how). The tax benefit for the five-year period 2017-2021 was accounted in the financial statements for the year ended 31 December 2022 for an amount of approximately Euro 1.33 million.

Furthermore, the following transactions concerning the majority shareholder Civitanavi Systems Ltd, which holds 73% of the share capital of Civitanavi Systems SpA, are deemed worthy of mention:

- n October 2022 Civitanavi Systems Ltd announced that it had acquired the entire stake in its share capital, equal to 12.7%, held by PJSC Perm Scientific-Industrial Instrument Making Company (PNPPK), founding partner of the company in 2012 Following this operation, the share capital of Civitanavi Systems Ltd is now divided between the two co-founders, Andrea Pizzarulli and Mike Perlmutter and the founding investor Thomas Jung (and his Jung Technology Holding).
- n December 2022, Civitanavi Systems Ltd announced the completion of a loan agreement which provides for the repayment of the financed amount through the payment of Civitanavi Systems SpA shares. The loan, amounting to 5.06 million euro, must be fully converted into shares of the Company by February 28, 2024. Following the Transaction, the maximum percentage stake in the share capital of CNS held by the lender, currently already the owner of a stake equal to 0.98% of the share capital, will be equal to 5.09% of the same.

With reference to the main events subsequent to the end of the 2022 financial year, the following should be noted:

- in January 2023, the Company stipulated a collective policy with Intesa Sanpaolo which aims to protect employees from the economic consequences that may occur following the onset of serious illnesses;
- in January 2023, the Company announced the signing of a binding agreement for the purchase of a minority stake equal to 30% of the capital of PV-Labs Ltd for an amount equal to USD 2.5 million. PV-Labs Ltd is a Canada-based company, a leading designer and manufacturer of gyrostabilized gimbals and advanced ISR&T (Intelligence Surveillance Reconnaissance and Targeting). The agreement includes a call option for the purchase of the remaining 70%, exercisable within 5 years;
- in January 2023, the English subsidiary Civitanavi UK Ltd hired 4 engineers dedicated mainly to design activities; the signing of a lease contract for the company headquarters located in Bristol is also in progress;
- on 1 February 2023, Civitanavi Systems Ltd signed an addendum with Civitanavi Systems SpA employees who had already benefited from a stock option plan in previous years, in which the

Parties agreed, by mutual agreement, to modify the option rights assigned - free of charge - to employees, providing for the allocation, following the related exercise of the options, of Civitanavi Systems SpA shares, instead of the shares of the parent company Civitanavi Systems Ltd. On 1 February 2023, the employees exercised the rights options assigned to them, at the closing price on the stock market as at 31 January 2023 of €3.45.

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

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

- in the course of the activity carried out, no omissions, irregularities or censurable or significant facts emerged such as to require reporting to the control bodies or mention in this Report;
- no complaints have been received by the Board of Statutory Auditors pursuant to art. 2408 Code Civil neither exposed by third parties;
- no transactions have been identified either with third parties, or intra-group and/or with related parties such as to highlight atypical or unusual profiles, in terms of content, nature, size and timing.

Transactions within the group or with related parties

As regards the transactions carried out within the Group and with related parties, identified on the basis of the criteria defined by IAS 24, the Directors have provided in the explanatory notes to the financial statements - and referred to in the management report - specific and timely information , noting in particular that the Company has maintained, under normal market conditions, relations with the subsidiary, with the directors of the Company and with companies and natural persons connected to them.

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

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

Additional supervisory activity in relation to the financial statements

The draft financial statements of Civitanavi Systems SpA, approved by resolution of the Board of Directors on March 16, 2023, was delivered to the Board of Statutory Auditors.

With specific regard to the examination of the financial statements for the year ended 31 December 2022 and the directors' report on operations, the following is referred to:

- the Board of Statutory Auditors ascertained, through direct checks and information obtained from the independent auditors, compliance with the rules relating to the structure inherent in the preparation of the financial statements and the management report accompanying them;
- the financial statements are accompanied by the directors' management report which summarizes the main risks and uncertainties and provides an account of the foreseeable management evolution. It complies with current regulations and is consistent with the resolutions

of the administrative body and with the results of the financial statements. It also contains adequate information on the activities of the exercise, on intercompany transactions and on the possible impacts on the business objectives and risks deriving from the Russia-Ukraine conflict;

- the information on transactions with related parties, identified on the basis of the criteria defined by the accounting standard IAS 24, was provided in the Explanatory Notes to the Financial Statements and referred to in the Report on Operations;
- the financial statements respond to the facts and information of which the Board of Statutory Auditors became aware in the exercise of its supervisory duties and its powers of control and inspection;
- as far as the Board of Statutory Auditors is aware, in preparing the financial statements, the Directors did not derogate from the provisions of the law pursuant to art. 2423, paragraph 5, of the Civil Code;
- with regard to *corporate governance* and the methods of concrete implementation of the corporate governance rules, the Company has prepared a specific report pursuant to article 123-*bis*, Legislative Decree no. 58/1998, which the Board of Statutory Auditors shares in terms of content;
- the supervisory and control activity carried out by the Board of Statutory Auditors, as described above, did not reveal any significant facts to be mentioned in this report or to be reported to the supervisory and control bodies;
- pursuant to the provisions of art. 123-ter of Legislative Decree 58/1998 (TUF), the Remuneration Report is presented to the Shareholders' Meeting, of which the Board of Statutory Auditors - in a joint meeting with the Committee Remuneration - examined and shared the approach followed in the preparation;
- the net result ascertained give it Administrators relative to year ended at 31 December 2022, as is also evident from reading the financial statements, it reports a profit for the year of Euro 6.974.949.

With regard to *corporate governance* and the methods for concrete implementation of the corporate governance rules, the Board acknowledges that the Company has formally adhered, with effect from the start date of trading of its shares on the Euronext Milan market, to the Corporate Governance Code of Italian listed companies; the Board of Directors approved in the meeting of 16 March 2023 the Report on Corporate Governance and the ownership structure in accordance with article 123- *bis* of Legislative Decree no. 58/1998, in art. 89-bis of Consob Regulation 11971/1999 and in the light of the recommendations of the Corporate Governance Code of Borsa Italiana. This Report also takes into account the "Format for the report on corporate governance and the ownership structure" (IX Edition January 2022) of Borsa Italiana SpA. The Report on Corporate Governance was sent to the Board of Statutory Auditors in order to allow for the checks required by art. 149 of the TUF and to the Independent Auditors for the activities envisaged by art. 123-bis of the TUF. The Board of Statutory Auditors, having examined the Report, did not find any critical elements.

Alternative performance indicators

In order to monitor the performance of the Company, the Report on Operations reports, inter alia, the Alternative Capital and Financial Performance Indicators which, although not substitutes for the information provided by the Company's financial statements, denote a balance sheet and solid financial position of the Company and with satisfactory liquidity.

Claims

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

It should be noted, as reported in the aforementioned certifications, *i)* that the financial statements as at 31 December 2022 were prepared in compliance with the applicable international accounting standards recognized by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, *ii)* that it corresponds to the results of the accounting books and records and *iii)* that it is suitable for providing a true and fair view of the equity, economic and financial situation of the issuer. It is also certified that the management report includes a reliable analysis of management performance and results, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Proposal to the Assembly

On the basis of the above summary of the supervisory activity carried out during the year, also taking into account what is highlighted in the Independent Auditors' report, the Board of Statutory Auditors has no observations to make regarding what is within its competence with regard to the financial statements of the Company and the related management report, nor with regard to the proposal of the Board of Directors to the Shareholders' Meeting on the allocation of the profit for the year ended 31/12/2022 as follows:

- to the legal reserve for Euro 348,747
- to reserve for unrealized exchange gains for Euro 76.161
- to the extraordinary reserve for Euro 2.551.241
- to distribute a dividend of Euro 3.998.800, equal to Euro 0,13 per share.

Pedaso, 4 April 2023

THE BOARD OF STATUTORY AUDITORS

President	Dr. Marco Donadio
Mayor effective	Dr. Eleonora Mori
Mayor effective	Dr. Cesare Tomassetti

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

CIVITANAVI SYSTEMS S.p.A.

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

Financial statements at December 31, 2022

This independent auditor’s report has been translated into English solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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40125 Bologna

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

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

Report on the financial statements

Opinion

We have audited the financial statements of Civitanavi Systems S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2022, the income statement, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at December 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree No. 38/05.

Basis for opinion

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

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

Key audit matters

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

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Key audit matter	**Audit response**
VALUATION OF ASSETS FOR WORK IN PROGRESS ON ORDER As at December 31, 2022 the financial statements of financial position include Assets for work in progress on order for euro 23.159 thousand, Advance payments on assets for work in progress for euro 22.129 thousand and Operating revenues for euro 34.132 thousand, of which euro 5.874 thousand from changes in Assets for work in progress on order. Assets for work in progress on order are recognized using the percentage of completion method for measuring progress. The application of this method requires the prior estimate of the entire life costs and revenues of the projects and their updating at each balance sheet date, through the use of assumptions by the Management. These assumptions can be affected by many factors such as, for example, the time span of several financial years over which the projects are developed, the high technological level and the innovative content of the same, the performance guarantees upon completion of the project. These facts and circumstances make it difficult to estimate the costs to complete the projects and, consequently, to estimate the value of assets for work in progress on order at the balance sheet date. In consideration of the significance of the Assets for work in progress on order compared to the total assets of the Company and the complexity of the assumptions used in estimating the costs to complete of the contracts, we considered the valuation of the Assets for work in progress on order a key audit matter of the audit review of the financial statements of the Company as December 31, 2022. Information regarding the Assets for work in progress on order is provided in the notes to the financial statements “6.8 Assets for work in progress on order / Advance payments on assets for work in progress”, “7.1 Operating revenues” and General drafting principles.	Our audit procedures in response to the key audit matter identified included the following: ▪ interviews with Management; ▪ understanding of the criteria and procedures adopted by the Management for determining the percentage of completion of projects; ▪ understanding of controls relating to both initial estimates and subsequent periodic updates of revenues and costs at completion and to complete of projects; ▪ for a sample of ongoing contracts: ○ analysis of contracts with clients in order to verify that the relevant contractual aspects have been adequately considered in the assessments made by the Management; ○ analysis of the reasonableness of the assumptions underlying the estimates of total contract revenues and costs through discussion with the project controller; ○ analysis of the most significant discrepancies between the previous year contract budgets and the current year actual figure and discussing the findings with the project controller; ○ analysis of the project costs already incurred; ▪ assessing the appropriateness of the disclosures provided in the annual financial report about Assets for work in progress on order.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We have also provided those charged with governance with a statement that we have complied with ethical and independence requirements applicable in Italy, and we have communicated all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate relevant risks or the safeguards measures applied.

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

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

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

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

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

Reports on other legal and regulatory requirements

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

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

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

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

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

The Directors of Civitanavi Systems S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Civitanavi Systems S.p.A. as at December 31, 2022, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the financial statements of Civitanavi Systems S.p.A. as at December 31, 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of Civitanavi Systems S.p.A. as at December 31, 2022 and are compliant with applicable laws and regulations.

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

Bologna, April 3, 2023

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

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