Civitanavi Systems S.p.A.

Half Year Financial Report
as at 30 June 2023

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.

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Company Data and Governance

Registered Office of the Parent Company
Civitanavi Systems S.p.A.
Via del Progresso 5, 63827
Pedaso (FM) - Italia
VAT n. 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, Related Parties and Sustainability 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

Independent Auditors BDO Italia S.p.A.

Manager in charge of financial reporting 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 Interim Directors' Report on Operations and Condensed Consolidated Half-Year financial 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.

Interim Directors' Report on Operations

The Interim 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.

Group performance and analysis of the results for the first half of 2023

Civitanavi, incorporated in 2012, is a solid corporate entity, operating in the sector of the design, development and production of navigation and stabilisation systems in the aerospace and defence (*naval, land, aeronautics, and space*) and industrial (*mines, oil & gas, tunnelling* and *horizontal drilling*) divisions, as well as the provision of consultancy services to undertakings in the same divisions. More specifically, the Group is a vertically integrated supplier of highly accurate inertial systems, designed and manufactured with proprietary methods and techniques, based on FOG (*Fiber Optic Gyroscope*) and MEMS (*Micro Electro Mechanical Systems*), possibly also integrated with other satellite navigation devices (GPS, air speed data, odometers). The inertial navigation and stabilisation systems produced by the Group, thanks to the application of the aforementioned FOG and MEMS technologies, enable *(i)* autonomous and high-precision inertial navigation (without a GPS), *(ii)* stabilisation, *(iii)* precise orientation (direction with reference to the geographical north) of the mobile device on which they are applied.
As part of the activities, recently also the designing and developing GNSS (Global Navigation Satellite System) algorithms and technologies have been introduced and the talented employee team, responsible for the new activites, has decades of experience in satellite navigation. Having the availability of a proprietary GNSS receiver allows the Company to design navigation systems on national territory that are deeply coupled with the inertial sensors already produced by the Company, in line with the trend outlined by recent scientific research. The goal is to exploit the complementarity of different technologies according to digital architectures called tight and ultra-tight and introduce new solutions on the market in the PNT domain (Position, Navigation, and Time). In this sense, the Group intends to propose new solutions able to satisfy the needs dictated by real applications, in which safety is a key factor.

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

The Group carries out its activity at the registered office and production site of Pedaso (FM) and at three additional sites, in Ardea (RM),in Casoria (NA) and Torino (TO). The Pedaso (FM) site hosts the administrative structure, the sales structure, the main research and development centre, as well as the prototyping and industrial production plants. At the Ardea, Casoria and Torino sites, the Group carries out design activities on top of those carried out at the main site.
Currently, in Turin, Civitanavi is working on improving countermeasures against interfering signals, which, as demonstrated by the numerous GNSS signal outages caused by jamming attacks in various GNSS-based applications encountered in recent years and in particular in Ukraine and Russian conflict scenarios, continue to present themselves as a current problem to be solved. (ref. "When GPS fails, how can weapons find their targets? The location system is vulnerable to jamming by the enemy" from The Economist of July the 14th 2023, www.economist.com/the-economist-explains/2023/07/14/when-gps-fails-how-can-weapons-find-their-targets).
Within this context, Civitanavi Systems considers the availability of authenticated Galileo signals to be an added value to its development strategy. When suitably combined with integrated GNSS/INS platforms and miniaturised atomic clocks (Chip Scale Atomic Clocks), they can become an extremely effective tool against spoofing attempts.

In 2023, the subsidiary Civitanavi Systems UK LTD of the United Kingdom, a company dedicated to both business and engineering activities and with the future goal of also becoming a production unit, employed a number of engineers dedicated mainly to design activities at the subsidiary's new headquarters located in Filton, Bristol.
This project is part of the objectives presented at the IPO, allocating part of the proceeds to increase production capacity (including through the opening of new sites abroad) in order to strengthen its competitiveness in the UK that is relevant to current and potential customers. It is recalled that the Group has been selected by BAE Systems as the supplier of inertial systems for the Tempest demonstration program, a sixth-generation combat aircraft.
As of 30 June 2023, the subsidiary had no operating revenues while it incurred some investments and costs mainly related to personnel and services Therefore, as of 2023, Civitanavi Systems S.p.A. (hereinafter addressed also as "Company") prepares the Group's consolidated financial statements.

Key Highlights

(In Euro thousands)	As at 30 June 2023	As at 30 June 2022	Delta	Delta %
Operating revenues	21,192	13,404	7,788	58%
Total Revenues	21,746	13,559	8,187	60%
EBITDA Adjusted	4,440	3,977	463	12%
EBITDA Adjusted Margin	20.4%	29.0%		(8.6) p.p.
EBITDA	(239)	3,325	(3,564)	(107%)
EBITDA Margin	(1.1%)	25.0%		(26.1) p.p.
EBIT Adjusted	3,739	3,519	220	6%
EBIT Adjusted margin	17.2%	26.0%		(8.8) p.p.
EBIT	(941)	2,867	(3,808)	(133%)
EBIT Margin	(4.3%)	21.0%		(25.3) p.p.
NET RESULT for the Year Adjusted	3,706	2,686	1,019	38%
NET RESULT for the Year	(974)	2,034	(3,008)	(148%)

(In Euro thousands)	As at 30 June 2023	As at 30 June 2022	Delta	Delta %
Booking	24,660	14,328	10,332	72%

(in Euro millions)	As at 30 June 2023	As at 30 June 2022	Delta	Delta %
Backlog	33.30	20.08	13	66%

(In Euro thousands)	As at 30 June 2023	As at 31 December 2022	Delta	Delta %
Net Trade Working Capital	17,327	12,095	5,232	43%
Net Debt	(13,477)	(24,522)	11,045	(45%)
Free Cash Flow	(11,045)	27,375	(38,420)	(140%)

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

The 2023 Half Year results confirm the Group's significant and growing development trend, going from Euro 13,559 thousand total revenues as of 30 June 2022 to Euro 21,746 thousand as of 30 June 2023, <u>with a growth of 60%</u> (total revenue growth 1H22 vs 1H21 was 35%). It should be noted that the UK subsidiary, being in the start-up phase, did not contribute to the final accounting of revenues for the period, all of which are attributable to Civitanavi Systems S.p.A..
The growth is supported by the excellent performance of the order book which increased by 72% as at 30 June 2023 compared to the same period in 2022, reaching a total "booking" amount of Euro 30.9 million as of the date of publication of this document.

The significant increase in Operating Revenues is mainly attributable to the sale of goods which doubles (+100%) due to the boost in A&D and Industrial compared to the same period in 2022, while there is a slowdown (-56%) in the revenue stream related to engineering services as projected in the first semester 2023 business planning and forecast.

In the following table we summarize operating revenues separated by revenue stream for the period closed on 30 June 2023 and on 30 June 2022:

(In Euro)	As at 30 June 2023	% of total June 2023	As at 30 June 2022	% of total June 2023	Delta	Delta %
<u>Revenues from sale of goods</u>	16,316	86%	8,140	66%	8,175	100%
<u>Revenues from Service</u>	512	3%	260	2%	252	97%
<u>Revenues from royalties</u>	519	3%	313	3%	206	66%
Revenues from engineering services	842		262			
Change in Assets for work in progress on order	764		3,383			
<u>Revenues from engineering services and Change in Assets for work in progress on order</u>[1]	1,605	8%	3,645	29%	(2,040)	(56%)
Total Operating revenues net of the change in FP/SFP inventories	**18,952**	**100%**	**12,359**	**100%**	**6,593**	**53%**
Change in inventories of finished and semi-finished Products	2,240		1,046		1,194	114%
Total Operating revenues	**21,192**		**13,404**		**7,788**	**58%**

[1] It should be noted that the increase in "Revenue from engineering services" should be analysed in combination with the item "Change in Assets for work in progress on order" because some engineering service contracts, accounted for using the percentage-of-completion method, were completed in the period.

With reference to the activity divisions in which the Group operates, the table below shows the figures achieved in the first half of 2023 compared to the first half of the previous year:

(In Euro thousands)	**As at 30 June 2023**	**% of total June 2023**	**As at 30 June 2022**	**% of total June 2022**	**Delta**	**Delta %**
Aeronautics	1,923	10%	3,286	27%	(1,362)	(41%)
Land defence	892	5%	794	7%	98	12%
Space	5,610	30%	1,904	15%	3,706	195%
Other (Naval, Submarine, Guidance)	6,013	32%	3,139	25%	2,874	92%
Total Aerospace and Defence	**14,438**	**76%**	**9,123**	**74%**	**5,315**	**58%**
Industrial	**3,952**	**21%**	**2,814**	**23%**	**1,138**	**40%**
Other	**562**	**3%**	**422**	**3%**	**140**	**33%**
Total Operating revenues net of the change in FP/SFP inventories	**18,952**	**100%**	**12,359**	**100%**	**6,593**	**53%**
Change in inventories of finished and semi-finished Products	2,240		1,046		1,194	114%
Total Operating revenues	**21,192**		**13,404**		**7,788**	**58%**

The Group achieved a solid performance in all business divisions, confirming a significant portion of the Aerospace and Defense sector (76% of the total) and at the same time a steady presence in the Industrial division (21% of the total). The growth path is confirmed by significant development in the various sectors of its business in both the A&D division (+58%) as well as the Industrial division (+40%), which was down in the previous year.

The Adjusted EBITDA equal to Euro 4,440 thousand increases 12% compared to the first half of 2022 and confirms expectations of double-digit growth in key profitability indicators for the year 2023.

Although Adjusted Ebitda in absolute value increased, Adjusted Ebitda Margin decreased from 29% to 20% mainly due to the effect of sales mix, which saw a decrease in engineering services revenue, as mentioned above. Such a mix highlights:

(i) a negative effect on margins due to the expected slowdown in engineering services (typically high-margin revenue stream);

(ii) a positive effect on margins on sales of navigation system kits[2] (sets of components that are assembled by the customer who will pay royalties to the Group) increasing from 2022;

(iii) a positive margin not reflected in the current interim financial statements, relating to the royalties associated with the sale of the navigation system kits (components) referred to in the previous point that will be recognized in subsequent years. Specifically, the kits sold to our customer, will result in the manufacturing and selling of units by our customer that in turn trigger a royalty payment to Civitanavi. The royalties are expected to increase due to the growing trend of sales of navigation system kits, which began in 2020, thus, a significant future profitability related to this type of sale is expected.

The composition of sales will be realigned to the normal trend in the second half of 2023, also ensuring excellent results for the current year in terms of profitability as well as increased business volume. Specifically, sales planning for 2023 projected a slowdown in engineering services revenues in the first half of the year and a realignment in the second half.

In addition, Group margins are affected by approximately 1 percentage point of costs incurred by the English subsidiary in the start-up phase.

Therefore, revenues and adjusted profitability are following the expected trend and allow us to confirm what was communicated to the market during the approval of Budget 2023 for Civitanavi Systems S.p.A. (which took place on 22 December 2022), based on the information available to date, although it is necessary to take into account the current situation of general uncertainty and price increases in the electronic and energy markets.

The economic results for the period closed on 30 June 2023 show a negative EBITDA to Euro -239 thousand (positive to Euro 3,325 thousand on 30 June 2022), negative EBIT to Euro -941 thousand (positive to Euro 2,867 thousand on 30 June 2022) and are related to non-recurring costs mainly referred to the Stock Option Plan of the main shareholder (Euro 4,450 thousand among

[2] 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 navigation system kits. Such an agreement fosters a business relationship with an international player with very high growth potential and, above all, corresponds to a significant deferred profitability in subsequent years, resulting from the Royalties that the Group will receive from that client from the sale of their products incorporating such KITs. As an example, in 1H2022 the total Royalties amounted to Euro 230 thousand, and in 1H2023 they are about Euro 420 thousand.

personnel costs). This cost results as a "non-monetary" expense as it did not determine any financial outlay for the Company as it was financially borne by Civitanavi Systems Ltd, at the same time this expense is tax deductible for Civitanavi Systems S.p.A. according to the referring accounting and fiscal principles. Furthermore, it is specified that the transaction has not determined any increase in share capital for Civitanavi Systems S.p.A.. Please refer to section 6 "Stock Option Plan of the major shareholder" for more details about the plan.

It is also specified that there is a slight improvement in the macroeconomic scenario compared to 2022 in relation to energy costs, while inflation and the "shortage" of the electronics component that continues to persist.

The Group 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. The Group is also continuing to manage the "shortage" also by providing a "*re-design*" of the product by replacing electronic components with those that are more widely available on the market, thus partially containing price increases and avoiding production stoppages. Furthermore, there have been no significant trends that could affect the maintenance of adequate inventory levels to support production performance.

The positive performance is supported by the ongoing investments in expanding production capacity, aimed at consolidating relationships with international players of very high strategic importance, as well as solid results, in terms of order growth, increased business volume and cash performance, in line with set targets.

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

With reference to the geographical area, we highlight in the following table the data achieved for the period closed on 30 June 2023 compared with the same period in the previous year:

(In Euro thousands)	**As at 30 June 2023**	**% su totale 2023**	**As at 30 June 2022**	**% su totale 2022**	**Delta**	**Delta%**
Italy	1,601	8%	1,211	10%	390	32%
EMEA (except Italy)	14,835	78%	8,096	65%	6,739	83%
APAC	2,564	14%	2,287	19%	277	12%
USA	(48)	0%	764	6%	(812)	(106%)
Rest of the World	0	0%	0	0%	0	0%
Total Operating revenues net of the change in inventories	**18,952**	**100%**	**12,359**	**100%**	**6,593**	**53%**
Change in inventories of finished and semi-finished Products	2,240		1,046		1,194	114%
Total Operating revenues	**21,192**		**13,404**		**7,788**	**58%**

The Group ensures its presidium in major international markets with adequate geographical diversification of the client portfolio.

In Italy, revenues amounted to Euro 1,601 thousand at 30 June 2023, an increase of 32% over the same period in 2022. The company believes it is strategic to maintain a portion of its business in the domestic market while remaining the international market as its focus.

In EMEA area (excluding Italy), revenues stood at Euro 14,835 thousand at 30 June 2023, up 83% from Euro 8,096 thousand in the same period of 2022. The increase affects both the Aerospace and Defense and Industrial sectors.

In the APAC region, revenues amounted to Euro 2,564 thousand at 30 June 2023, up 12% from Euro 2,287 thousand in the same period of 2022.

In the U.S. market, on the other hand, there were negative revenues of Euro -48 thousand at 30 June 2023, compared to Euro 764 thousand in the same period from last year. With regard to the results of the latter, the decrease is mainly due to the sharing of development costs for the product made for Honeywell. In fact, during 2023, the company has signed a co-investment contract for profit and cost sharing in connection with the future commercialization of this product and similar products in defined markets. As a result, the revenue was adjusted in light of the reconciliation of expenses incurred as of the contract signing date. The additional agreement with Honeywell represents an important growth opportunity at the strategic level, aimed at collaboration in the relevant sector.

It is specified that the Group has no business relationship with Russian Federation. For more details, please refer to paragraph 12 "Russia-Ukraine Conflict" of the explanatory notes.

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

Looking ahead to 2023 and beyond, the Society remains confident about long-term demand trends in our industry, fueled by its key distinctive competitive features.

In 2023, revenue volumes are expected to grow, supported by the development of backlog activities on programs and a good flow of new orders. Profitability remains at good levels in line with expectations despite the uncertain macroeconomic scenario.

Regarding the development of the situation affecting the Russian Federation and Ukraine, the Group confirms that it does not have any relations, of a commercial nature, with Russian Federation and no new relations are expected to be established in 2023. The Group confirms that it is characterized, also for 2023, by a significant geographical diversification of Operating Revenues by country.

Booking

An important indication of the growth of the Group's activities is given by the evolution recorded in recent years of the total customer orders acquired within a financial year/period, whether they were fulfilled within that same financial tear/period (so-called "Booking").
Over the past years 2019-2022, the Group's Booking has been growing significantly and, in 2022, represented a record in terms of orders acquired (41,0 million euros) over the course of a single year.

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

	2019	2020	2021	2022
Booking (in Euro millions)	13.5	18.1	29.8	41.0
% on Total Revenues	78%	95%	119%	120%

Booking at 30 June 2023 amounted to Euro 24,660 thousand significantly increasing by 72% compared to the booking recorded in the same period of 2022 (Euro 14,328 thousand at 30 June 2022), confirming the company's growth trend.

As of the date of this document, 21 September 2023, orders received during 2023 are Euro 30.9 million.

Backlog

Definition:

- Backlog: means existing contracts that relate to orders that have not yet been delivered to the customers and the related order indications, to which the Group allocates a 100% probability that they will be placed, net of the revenue that has already been recorded in the Group's income statement.

On 30 June 2023, the counter value of the "Backlog", i.e. of the product purchase contracts and orders that have already been formalised between the Company and its customers, net of the value of revenue that was already recorded as at the same date (without prejudice to cases of reduction, suspension or termination) amounted to a total of Euro 33,3 million (Euro 20,08 million at 30 June 2022 and Euro 24,3 million as at 31 December 2022). This Backlog mainly refers to the "Aerospace and Defence" division, as the "Industrial" division has a short lead time and the orders are concluded, on average, within three months from their execution.

Significant Events of the Half Year period

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 (FM) and offices in Ardea (RM), Casoria (NA) and Turin, 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 S.p.A. invests in the capital of PV Labs and enhances technological know-how in advanced imaging systems

In January 2023, Civitanavi Systems S.p.A. 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. The agreemenet has been finalised on 5 May 2023 on the announced terms. More details can be found in Note 7.4 in the notes to the Half-Year Condensed Consolidated Financial Statement.
The two companies began to collaborate and strengthen their technological and product development know-how early on. PV-Labs Ltd is a SME (Small and Medium Enterprise) based in Canada, a leader in the design and manufacture of gyro-stabilised gimbals and advanced ISR&T (Intelligence Surveillance Reconnaissance and Targeting) imaging systems. PV-Labs was 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.

Stock option Plan of the main shareholder Civitanavi Systems Ltd

On February 1, 2023, Civitanavi Systems Ltd, major shareholder of the Company, 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 of the main shareholder 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 Euro 3.45. For more details, please refer to paragraph 6 “Stock option plan” in the notes to the Half-Year Condensed Consolidated Financial Statement.

Civitanavi Systems S.p.A. participates in the "Aurora" project to create the Italian ecosystem for advanced air mobility (AAM)

The “Aurora” project is part of the framework "Creation of an Italian ecosystem for AAM", organised and promoted by ENAC, the Italian Civil Aviation Authority, to provide an effective and reliable Positioning, Navigation and Timing (PNT) service for AAM (Advanced Air Mobility). As part of the project, Civitanavi will contribute to the analysis of technology enablers for future Advanced Air Mobility (AAM) operations, including services for urban, suburban and inter-city transport for both people and goods by means of vertical take-off and landing aircraft. In particular, enablers must guarantee the availability of PNT measurement in a more robust and resilient manner than current GNSS-based solutions. Civitanavi, in this direction, is engaged in the development of a hybrid GNSS/inertial system for the validation of algorithms and technologies that, within the scope of the project, enhance the accuracy, reliability, continuity and safety of navigation in AAM environments. The management of the AURORA project is supervised by ENAC, the Italian Civil Aviation Authority, with the technical coordination of Telespazio, and the contribution of CIRA - Italian Aerospace Research Centre, DTA - Aerospace Technological District of the Region of Puglia, and the companies, together with Civitanavi Systems: D-Flight (ENAV group), Exprivia, Planetek Italia. The project, which started on January 31, 2023, will last 18 months.

Early termination of convertible loan agreement signed by Civitanavi Systems Ltd into shares of Civitanavi Systems S.p.A.

On 31 May 2023, Civitanavi Systems Ltd, majority stakeholder of the Company has signed the early closure agreement relating to the loan convertible into shares amounting to Euro 5,063,000, which was signed and announced on December 6, 2022. Following the full subscription of the shares, the percentage of the Company’s share capital held by the lender, which already held a 0.98% stake in the share capital, is now 5.09% of the same. Civitanavi Systems Ltd therefore holds a 66.21% stake in the share capital of the Company, while the free float reaches 33.79%, benefiting the stock's liquidity.

Start of the share buy-back programme

Starting from 5 June 2023 and until 5 October 2024, the Buyback Plan was initiated, for a maximum number of treasury shares that can be purchased of 1,500,000 shares (equal to approximately 4% of the subscribed and paid-up share capital) up to Euro 8,700,000. The Buyback Plan has been authorised by the Shareholders' Meeting on 27 April 2023 under the terms already disclosed to the market through the Board of Directors' explanatory report and the minutes of the Shareholders' Meeting. The request for authorisation to purchase and dispose of treasury shares is aimed at providing the Company with a useful strategic investment opportunity and also "fulfilling obligations arising from share option programmes or other grants of shares to employees or members of the issuer's management or control bodies". For more details, please refer to paragraph 7.12 "Net Equity" in the notes to the Half-Year Condensed Consolidated Financial Statement.

Sustainability Report 2022

On June 27, 2023, the Board of Directors of Civitanavi Systems S.p.A. approved the Sustainability Report 2022, the company's first ESG-related reporting document, which was prepared on a voluntary basis and was not subject to limited review by an independent auditing firm. The report identifies 9 measurable goals that refer to the United Nations 2030 Agenda and the SDGs - Sustainable Development Goals, defined around 12 material themes, which are grouped according to the ESG (Environmental, Social, Governance) classification of the EU Directive 2022/2464 (CSRD).
The most relevant milestones achieved were related to environment, social and governance and economic value creation. The focus on environmental issues, particularly in relation to climate change, has led Civitanavi Systems to convert its energy profile to supply electricity from renewable sources (incidence of renewable sources to 50% of the total energy consumed) and to build a photovoltaic plant by the end of 2024. From a social point of view, commitment to human resources is expressed through a plan for the professional and training development of its people, organisational solutions to reconcile work and lifetimes and welfare solutions. Civitanavi Systems demonstrates its commitment to creating a dynamic environment that fosters equal opportunities, diversity and inclusion for all its employees. Finally, as regards governance and economic value creation, the Company has established a Remuneration and Appointments Committee and a Control and Risk Committee, and has adopted Model 231. An integral part of this model is the Code of Ethics, which defines the general ethical values and principles to which the Company conforms. The positive economic trend allowed to get to an economic value distributed equal to 75%, allocated to suppliers as well as local employees. Furthermore, Civitanavi is committed to technological innovation of its products and services, to which about 5% of total revenues were directed, with the intention of generating economic development and a positive environmental and social impact for the community in the area, and to expand, in the long term, the number of innovative and research projects with schools, universities and national and international research centres.

Significant events subsequent to the reporting period

There are no significant events subsequent to the reporting period. Below please find a summary of events of interest up to the date of the approval of this Half Year Financial Report.

Civitanavi Systems and Hanwha Systems, signed a memorandum of understanding ("MoU") to collaborate on inertial systems and GNSS products for legacy and next generation products and platforms

On 7 September 2023, Civitanavi has signed a new MoU with Hanwha Systems Co., ltd., ("HSC"), a Korean corporation active in the fields of design, development, manufacture and sale of Electro Optics Systems for airborne, naval and ground platforms, to develop cutting-edge products that integrate Civitanavi's GNSS and Inertial Systems expertise with HSC's product. The agreement will allow both companies to further explore opportunities for collaboration in the aerospace and defence industries, to identify key markets and develop state-of-the-art applications to continuously disrupt the sector with new and next-generation technologies.

Civitanavi Systems expands operations with new-state-of-the-art facility in the UK

In September Civitanavi announces the opening of its new state-of-the-art facility at the heart of aerospace and defence in Filton, Bristol, UK. The new facility boasts state-of-the-art laboratory and manufacturing facility going forward, meeting and office facilities to create a modern hub for advanced navigation technologies and techniques in the UK. This strategic expansion marks an important milestone in the Group's growth strategy and commitment to providing unparalleled Assured Position, Navigation and Timing (A-PNT) systems to its civil and defence customers. Civitanavi Systems UK Ltd., based at the new facility, will provide UK customers with a long overdue UK capability and SQEP (Suitably Qualified and Experienced Personnel) in high grade inertial systems and GNSS systems utilising the above-mentioned companies in-house FOG and MEMS technology, complemented by advanced, next generation fusion algorithms. Next generation motion simulators and localised Fiber Optic Gyroscope supply chain will allow Civitanavi Systems UK Ltd. to design and manufacture in Country a near 100% Made in UK inertial solutions.

Honeywell and Civitanavi Systems launch new inertial measurement units HG2800

On 14 September 2023, after one year from the announcement, Honeywell and Civitanavi Systems confirm they have launched a new inertial measurement unit for commercial and defense customers worldwide. The HG2800 family consists of low-noise, high-bandwidth, high-performance, tactical-grade inertial measurement units designed for pointing, stabilization and short-duration navigation applications in a small-form factor. At just 32 cubic inches, the new HG2800 can sense linear acceleration and angular rates to stabilize camera images (EO/IR), reduce blurriness and enhance resolution, providing customers with enhanced visibility and accuracy. The inertial measurement units utilize Honeywell and Civitanavi Systems' technologies to help to enhance point-targeting capabilities and stabilization accuracy, and to improve measurement precision and dependable operation when GPS is unavailable. The HG2800 IMUs include Honeywell's MV60 next-generation micro-electromechanical systems (MEMS) accelerometers and Civitanavi Systems' closed-loop fiber optic gyro sensors (FOGs) and are available worldwide.

Signing of two loans

During the third quarter 2023, Civitanavi Systems S.p.A. has signed two new loan agreements for the amount of Euro 2,500 thousand each, for a total amount of Euro 5,000 thousand, both with a five-years duration, ending in 2028, with a floating interest rate Euribor plus a spread. One agreement grants a reduction of the interest rate applied, starting from 2024, upon compliance with ESG-related covenants, while there are no economic financial covenants.
Furthermore, Collar have been entered into in order to hedge against interest rate risk.
The two new loans have been signed in order to finance projects for the development of the Group, like the on-going renovation of the new site in Porto Sant'Elpidio (FM), without affecting daily operations and ensuring adequate cash availability to support the expected growth.

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

The business divisions in which the Group 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 collection 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. It should be noted that during the first semester 2023 a significant increase in sale of goods has been accounted, thus resulting in an increase of trade receivables at 30 June 2023 compared with the same period from 2022.

Analysis of economic, statement of financial position and financial data

Below find the charts, reclassified in accordance with current financial analysis practices, of the economic, equity and financial data for the period ended 30 June 2023 compared to 30 June 2022 (economic data) and with 31 December 2022 (equity and financial data).

Analysis of reclassified economic data

(in Euro thousands and as percentage of Total Revenues)	**Period closed on 30 June 2023**	**%**	**Period closed on 30 June 2022**	**%**
Operating revenues	21,192	97%	13,404	99%
Other revenues and income	554	3%	155	1%
Total revenues	**21,746**	**100%**	**13,559**	**100%**
Raw material costs and change in inventories	10,828	50%	4,846	36%
Service costs	3,245	15%	2,704	20%
Personnel cost	7,709	35%	2,586	19%
Other operating costs	201	1%	98	1%
Total operating costs	**21,984**	**101%**	**10,234**	**75%**
Operating result before amortisation and depreciation and write-downs (EBITDA)	**(239)**	**(1%)**	**3,325**	**25%**
Write-downs of net financial assets	33	0%	20	0%
Amortisation and Depreciation and write-downs	669	3%	438	3%
Operating Profit (EBIT)	**(941)**	**(4%)**	**2,867**	**21%**
Financial income	453	2%	220	2%
Financial expenses	(380)	(2%)	(240)	(2%)
Share of profits/(losses) of equity-accounted associates	(172)	(1%)	0	0%
Profit (Loss) before taxes	**(1,041)**	**(5%)**	**2,846**	**21%**
Income taxes	67	0%	(813)	(6%)
PROFIT / (LOSS) FOR THE PERIOD	**(974)**	**(4%)**	**2,034**	**15%**

Other Profits/(Losses) in the Comprehensive Income Statement, net of tax effect	**(974)**	**(4%)**	**2,034**	**15%**
Actuarial profits (losses) for defined benefit schemes	(30)	(0%)	169	1%
Profit/(loss) on the effective portion of cash flow hedge instruments	64	0%	(117)	(1%)
Translation difference	(1)	(0%)	0	0%
Current portion of "Other comprehensive income (expense)", equity-accounted associates	11	0%	0	0%
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD	**(930)**	**(4%)**	**2,085**	**15%**

The operating results for the period closed on 30 June 2023 show negative results attributable to non-recurring costs mostly related to the Stock Option Plan of the major shareholder (Euro 4,450 thousand among personnel costs). This cost results as a "non-monetary" expense as it did not determine any financial outlay for the Company as it was financially borne by Civitanavi Systems Ltd, at the same this expense is tax deductible for Civitanavi Systems S.p.A. according to the referring accounting and fiscal principles. Furthemore, it is specified that the transaction has not determined any increase in share capital for Civitanavi Systems S.p.A.. Please refer to section 6 "Stock Option Plan of the major shareholder" for more details about the plan.

Main results are as follows: total revenue of Euro 21,746 thousand (Euro 13,559 thousand at 30 June 2022); negative EBITDA equal to Euro -239 thousand (positive EBITDA to Euro 3,325 thousand at 30 June 2022); negative EBIT equal to Euro -941 thousand (positive EBIT to Euro 2,867 thousand at 30 June 2022).

For more detailed comments on the ordinary operations, refer to the section "Group performance and analysis of the results for the first half of 2023".

The incidence of net write-downs of net financial assets, depreciation and amortization, and financial income and expenses remains constant compared to the same period in the previous year. Results before tax are also negatively impacted by the valuation of the associate PV Labs using the equity method.

Analysis of reclassified statement of financial position

(In Euro thousands)	**30 June 2023**	**31 December 2022**
Trade Receivables	10,193	11,052
Assets for work in progress on order net of Advance payments on work in progress	636	1,030
Inventories	13,813	7,529
Trade payables	(7,314)	(7,516)
Net trade working capital	**17,327**	**12,095**
Other receivables and current assets	4,569	3,838
Tax payables	(274)	(244)
Other current payables and liabilities	(4,001)	(5,112)
Net working capital	**17,622**	**10,578**
Tangible Assets	7,075	6,749
Right of use assets	1,032	707
Intangible assets	3,552	2,445
Investments and other financial assets	2,159	62
Deferred tax assets	2,559	2,522
Defined benefit schemes	(950)	(822)
Deferred tax liabilities	(27)	(53)
Net non-current assets	**15,400**	**11,610**
Net invested capital	**33,022**	**22,187**
Net debt	13,477	24,522
Net equity	(46,499)	(46,710)
Total net equity and net debt	**(33,022)**	**(22,187)**

As of 30 June 2023, the balance of net working capital amounted to Euro 17,622 thousand, with an increase of Euro 7,044 thousand from the end of the previous year (Euro 10,578 thousand as of 31 December 2022); the change was mainly due to the combined effect of the following movements:

i) the increase in inventories which amounted to Euro 6,283 thousand compared to December 31, 2022, mainly attributable to the increase in inventories to meet sales needs and the containment of the "shortage" of electronic components;

ii) the decrease in the balance between assets for work in progress on order and advance payments on work in progress, amounting to Euro 394 thousand, which is related to the increase in advance payments more than proportional to the related activity performed. Advance payments from customers are recognized when certain milestones are reached according to contractual terms;

iii) the decrease in trade receivables during the first half of 2023 (Euro 858 thousand less than on 31 December 2022). The performance of trade receivables was affected by the combined effect of: (i) increase in revenue booked during the period, in fact, accounts receivable not due increase by Euro 1,255 thousand compared to 31 December 2022, (ii) decrease in accounts receivable past due by Euro 2,113 thousand as a result of the collection, during the period, of accounts receivable that were past due as of 31 December 2022. For more information on credit performance, see Note 7.7 of the Notes to the Half-Year Condensed Consolidated Financial Statements;

iv) the increase recorded by other receivables and current assets in the amount of Euro 730 thousand which is mainly due to the increase in tax receivables in the amount of Euro 182 thousand, the increase in prepaid expenses in the amount of Euro 240 thousand, which includes the adjustment items of the costs for the period, and the increase in receivables from the major shareholder which amounted to Euro 134 thousand at 30 June 2023;

v) the decrease in other current payables and liabilities, amounting to Euro 1,112 thousand, which is mainly explained by the decrease in advances from customers, which show a reduction of Euro 1,569 thousand in the time interval between 31 December 2022 and 30 June 2023. This significant decrease in the balance of advance payments from customers can be traced to the successful completion of the processes of supplying goods to customers who had previously made advance payments.

Below the incidence of the net trade working capital over revenues[3] is reported, compared between 30 June 2023 and 31 December 2022:

(in Euro thousands and as percentage of Total Revenues)	**As at 30 June 2023**	**As at 31 December 2022**
Net trade working capital (A)	17,327	12,095
Total Revenues (B)	42,599	34,412
Net trade working capital /Total Revenues (A)/(B)	**40,7%**	**35,1%**

The increase of 5,6 p.p. is due to the more than proportional increase in trade net working capital compared to revenues. Management's expectations for the second half of the year are to absorb the increase in commercial net working capital, primarily impacted by inventory growth, with expected sales in the period.

Net non-current assets at 30 June 2023 increased by Euro 3,790 thousand compared to 31 December 2022. This increase is mainly attributable to: *i*) an increase in investments and other financial assets for the amount of Euro 2,109 thousand, following the acquisition of 30% of PV Labs' equity, net of the adjustment for the equity-method accounting in the period under consideration; *ii*) an increase in intangible assets in the amount of Euro 1,107 thousand, mainly referred to the capitalization of Euro 979 thousand of development costs; *iii*) the increase in tangible assets for Euro 327 thousand due to the purchase of new machinery, equipment and electronic office machines, *iv*) the increase in assets for usage rights for Euro 325 thousand, mainly due to new lease agreements in Turin and Bristol (UK).

Equity balance at 30 June 2023 is stable compared to 31 December 2022. For changes in shareholders' equity, please refer to the Consolidated Statement of changes in shareholders' equity and Note 7.12 "Net Equity" to these Half-Year Condensed Consolidated Financial Statements.

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

[3] For the calculation of this incidence, revenues are considered for the 12-month period from 1 July 2022 to 30 June 2023

Analysis of net debt and net financial position

The following is a breakdown of the composition of net debt at 30 June 2023 compared with 31 December 2022.

(In Euro thousands)	As at 30 June 2023	As at 31 Dec 2022	Delta 2023 vs 2022	
A. Cash and cash equivalent	(27)	(1)	(26)	2423%
B. Cash equivalents	(14,905)	(25,920)	11,015	(42%)
C. Other current financial assets	(821)	(654)	(166)	25%
D. Liquidity (A)+(B)+(C)	**(15,753)**	**(26,575)**	**10,823**	**(41%)**
E. Current debt (including debt obligations, but excluding the current part of the noncurrent debt)	208	150	58	39%
F. Current part of non-current debt	190	271	(81)	(30%)
G. Current debt (E)+(F)	**398**	**421**	**(23)**	**(5%)**
H. Net current debt (G)-(D)	**(15,355)**	**(26,154)**	**10,800**	**(41%)**
I. Non-current debt (excluding current part and debt obligations)	1,878	1,632	246	15%
J. Debt obligations	0	0	0	0%
K. Trade and other non-current payables	0	0	0	0%
L. Non-current debt (I)+(J)+(K)	**1,878**	**1,632**	**246**	**15%**
M. Total debt (H)+(L)	**(13,477)**	**(24,522)**	**11,045**	**(45%)**

Item “M. Total debt (H+L)" on 30 June 2023 shows a negative balance of Euro 13,477 thousand compared to the negative balance of Euro 24,522 thousand from 31 December 2022, reporting an increase of Euro 11,045 thousand.
This increase in net debt is mainly due to the combined effect of: (i) the decrease in Liquidity in the amount of Euro 10,823 thousand, as a result of the disbursement of Euro 2,270 thousand for the acquisition of the equity investment in PV Labs Ltd, the payment of dividends in the amount of Euro 3,999 thousand and working capital and investment needs. For more details on the transaction in PV Labs Ltd, please refer to Note 7.4 “Investments" to the Half-Year Condensed Consolidated financial statements; (ii) of the increase in Current and Non-Current Debt for the amount of Euro 223 thousand related to the repayment of installments according to the ordinary amortization schedule.

It should be noted that as of 30 June 2023, the Company's net debt, net of the effect of the application of IFRS16, was negative Euro 14,669 thousand (positive Euro 25,380 thousand as of 31 December 2022).

Reclassified cash flow statement

Below is the reclassified cash flow statement as of June 30, 2023 compared with the same period in the previous year.

(In Euro thousands)	As at 30 June 2023	As at 30 June 2022	Delta
Profit before taxes	**(1,041)**	**2,846**	**(3,887)**
Amortisation and Depreciation and write-downs	669	438	231
Other non-monetary changes	4,859	(797)	5,656
Operating Cash Flow	**4,487**	**2,488**	**1,999**
Change in inventories	(6,283)	(1,707)	(4,576)
Change in trade receivables	825	5,752	(4,927)
Change in Assets for work in progress on order and Advance payments on work in progress	394	1,398	(1,004)
Change in trade payables	(201)	(343)	142
Change in other assets and liabilities	(1,836)	389	(2,225)
Change in Working Capital	**(7,101)**	**5,489**	**(12,590)**
Net (investments) in tangible fixed assets	(759)	(1,005)	246
Right of use (*)	(419)	(14)	(405)
Net (investment) in intangible fixed assets	(1,245)	(754)	(491)
Net change in other non-current assets	(2,270)	0	(2,270)
Net change in other non-current liabilities	(72)	80	(152)
Total net change non-current assets/liabilities	**(4,764)**	**(1,693)**	**(3,071)**
Changes in Equity and paid dividend	**(3,667)**	**21,309**	**(24,977)**
FREE CASH FLOW	**(11,045)**	**27,593**	**(38,639)**
Initial net financial position	**(24,522)**	**(2,853)**	**(21,669)**
Cash flow for the period	(11,045)	27,593	(38,639)
Final net financial position	**(13,477)**	**24,740**	**(38,217)**

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

As at 30 June 2023, the Group absorbed cash flows totalling Euro 11,045 thousand, a decrease of Euro 38,639 thousand from the same period of the previous year.

Working capital absorbed cash flows of Euro 7,101 thousand, a decrease of Euro 12,590 thousand from the amount generated as of 30 June 2022, which was Euro 5,489 thousand. This decrease can be mainly attributed to an increase in cash consumption due to inventories, which is necessary to meet sales needs and to deal with the "shortage" situation of electronic components. The cash absorption of inventories was not fully offset by cash generation attributable to the decrease in trade receivables and the decrease in Assets for work in progress on order net of the related advance payments.
During the interim period ended June 30, 2023, the net change in non-current assets/liabilities required the use of cash totaling Euro 4,764 thousand. This figure represents an increase from the amount of Euro 1,693 thousand recorded in the previous interim period and is mainly attributable to the acquisition of the equity interest in PV Labs Ltd, as well as internal development activities.

Changes in equity show a reduction equal to Euro 24,977 thousand compared to 30 June 2022 because in the previous period an increase in share capital had been finalised following the IPO operation, for a net value of Euro 21,309 thousand. During the first six months of 2023, changes in equity have absorbed cash flow essentially due to dividend payments of Euro 3,999 thousand.

Alternative Performance Measures (APM)

APMs (Alternative Performance Measures) are measures utilised by the Group'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 compared to similarly named measures used by different companies.

Below are the main economic indicators of the Company, relating to the period ended on 30 June 2023 and the period ended on 30 June 2022.

(In Euro thousands, ratios and percentages)	**As at 30 June 2023**	**As at 30 June 2022**	**Delta 2023 vs 2022**	
EBITDA (1)	(239)	3,325	(3,564)	(107%)
EBITDA margin (1)	(1.1%)	24.5%		(25.6) p.p.
EBITDA Adjusted (2)	4,440	3,977	463	12%
EBITDA Adjusted margin (2)	20.4%	29.3%		(8.9) p.p.
EBIT (3)	(941)	2,867	(3,808)	(133%)
EBIT margin (3)	(4.3%)	21.1%		(25.4) p.p.
EBIT Adjusted (4)	3,739	3,519	220	6%
EBIT Adjusted margin (4)	17.2%	26.0%		(8.8) p.p.
ROS (5)	19.7%	21.1%		(1.4) p.p.

The absolute value of EBITDA Adjusted increased from Euro 3,977 thousand reported as at 30 June 2022 to Euro 4,440 thousand as at 30 June 2023 (+12%) while EBITDA Adjusted Margin for the period closed as at 30 June 2023 was 20.4% down from June 30, 2022 which was about 29.3%, the decrease in the incidence on revenues is mainly attributable to the effect of the sales mix, which saw a decrease in revenues for engineering services, as already mentioned above.

L'EBIT Adjusted Margin for the period ended 30 June 2023 was 17.2% (Euro 3,739 thousand), down from 30 June 2022 when it was 26.0% (Euro 3,519 thousand). This decrease reflects the trend in EBITDA Adjusted just commented on.

ROS decreased by 1.4% as of 30 June 2023 compared to the first half of 2022 as a result of the lower profitability of sales achieved in the period as described above.

Below please find the main economic indicators of the Group, referring to the period closed 30 June 2023 and to the year ended 31 December 2022.

(In Euro thousands, ratios and percentages)	**As at 30 June 2023**	**As at 31 December 2022**	**Delta 2023 vs 2022**	
ROE (6) *	8.5%	14.9%		(6.4) p.p.
ROI (7) *	12.6%	36.0%		(23.4) p.p.

(*) Economic data used for the calculation of the APM as at 30 June 2023 relating to the 12-month period from 1 July 2022 to 30 June 2023.

It should be noted that the decrease in ROE is entirely attributable to the reduction in net income for the 12 months prior to 30 June 2023 achieved by the Group compared to the previous year.

ROI decreased by 23.4 percent as of 30 June 2023 compared to 31 December 2022 due to the combined effect of the decrease in EBIT achieved in the 12 months prior to 30 June 2023, for the reasons stated above, and the concomitant increase in net change in non current assets/liabilities as commented above under "Analysis of Reclassified Balance Sheet Data".

(1) EBITDA is a useful measure for evaluating a Group's operating performance. It is calculated as the profit or loss for the period before income taxes, financial income and expenses, share of profit/(loss) of equity accounted associates, depreciation and amortisation, write-downs and write-ups of financial assets. EBITDA *margin* is an indicator that measures the Group'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, share of profit/(loss) of equity accounted associates depreciation and amortisation, write-downs and write-ups 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 Group's operating performance. Below are the elements considered in the calculation of the indicator by the Group:
- as at 30 June 2022, the Group took into account recurrent costs amounting to Euro 653 thousand relating to part of the costs incurred for the listing on the Euronext Milan market for Eur 628 thousand, to social security expenses of previous years for Eur 19 thousand and to other related costs for Eur 6 thousand;
- as at 30 June nonrecurring costs amounting to 4,679 thousand Eur were considered related to costs incurred for the exercise of the stock option plan from the major shareholder for 4,450 thousand Eur (for more details see Note 6 "Stock option plan" of the Notes to the Half Year Condensed Consolidated Half-Year financial statements) and other costs mainly related to M&A for Euro 229 thousand.

(3) EBIT represents a useful measurement unit for evaluating the Group's ability to generate profit solely from operational management, excluding financial income and expenses, share of profit/(loss) of equity accounted associates 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, share of profit/(loss) of equity accounted associates, 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 Group's operational performance. Regarding non-recurring items, please refer to note (2).

(5) ROS is an indicator that expresses the Group'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 Group's net equity. 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 activities by relating EBIT to net invested capital (the sum of net non current assets and net working capital).

Below are the key alternative performance indicators related to the balance sheet figures for the period ending 30 June 2023 and the year ending 31 December 2022:

(in Euro thousands, ratios and percentages)	**As at 30 June 2023**	**As at 31 December 2023**	**Delta 2023 vs 2022**	
Net Debt (1)	(13,477)	(24,552)	11,075	(45%)
Net Debt / Equity	(0.3)	(0.5)	0.2	(42.0%)
Net Debt / EBITDA *	(2.5)	(2.7)	0.2	(9.2%)
Average trade receivable collection days (2) *	87.3	118.2	(30.9)	(26.1%)
Trade receivables turnover indicator (3) *	4.2	3.1	1.1	34.8%
Average trade payable payment days (4) *	102.3	140.1	(37.8)	(27.0%)
Trade payable turnover indicator (5) *	3.6	2.6	1.0	37.2%
Inventory turnover indicator (6) *	1.5	1.9	(0.4)	(23.6%)
Net non-current assets (7)	15,400	11,610	3,790	33%
Net trade working capital (7)	17,327	12,095	5,232	43%
Net working capital - NWC (7)	17,622	10,578	7,044	67%
Net invested capital - NIC (7)	33,022	22,187	10,835	49%
Net trade working capital (7) / Total Revenues *	40.7%	35.1%		5.6 p.p.

(*) Economic data used for the calculation of the APM as at 30 June 2023 relating to the 12-month period from 1 July 2022 to 30 June 2023.

The trend in net debt and Equity is influenced by the change in net working capital and non-current assets and liabilities, as argued extensively above.
Trade receivables turnover and average trade receivable collection days are affected by increased revenues as well as more efficient operational management of receivables.
Trade payable turnover and average trade payable payment days are affected by the increase in the incidence of the cost of purchasing goods and the change in inventories on revenues. The increase in purchase costs and change in inventories is attributable to the need to ensure adequate stock levels and contain the "shortage" of electronic components.
The decrease in the inventory turnover indicator can be attributed to the increase in inventories, which was commented on earlier.

(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 Group'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) period-end/year-end trade receivables.
(4) The average days for the payment of trade payables indicate the average payment time of trade payables to Group's 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) period-end/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 period-end/year-end inventories.
(7) As calculated in the section Analysis of Reclassified statement of financial position.

Investments

Capital expenditures related to tangible assets for the period closed as at 30 June 2023, equal to Euro 759 thousand, mainly involved the purchase of production machinery and tools intended for the production area. These investments were aimed at increasing the Group's production capacity.
Investments in intangible assets, equal to Euro 1,245 thousand, relate to both the purchase of new software, mainly to support the engineering area, in the amount of Euro 266 thousand, and development activities carried out during the first half of 2023 in the amount of Euro 979 thousand. These costs were capitalized in the category "Development Costs" in the amount of Euro 81 thousand in relation to development projects completed in the period and in the category "Intangible assets in progress" in the amount of Euro 898 thousand, as they related to development projects still in progress as of the closing date of these Half-Year Condensed Consolidated Financial Statements.

Research and development activities

During 2023, the Group continued its intensive research and development activities by continuing to invest in R&D programs following a strategic roadmap oriented in the following directions:

1) to develop low-cost technologically advanced components and subsystems in order to increase the marginality of the entire product line and in order to enable better product SWaP (Size Weight and Power) for next-generation applications (drones, urban air mobility, etc.);
2) vertical integration of technologies synergistic to navigation and stabilization (such as flight control and vehicle management systems) in order to provide more competitive solutions that facilitate integration by platform OEMs (aircraft, helicopters, etc.).

Main risks and uncertainties

The Group'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 Group.

<u>Credit risk</u>

The Group, 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.
The past due over 90 days net of the allowance for doubtful accounts amounted to Euro 767 thousand, and refers, for Euro 128 thousand, to the VAT receivable related to a trade receivable charged to loss in previous years, and the remainder is attributable to receivables from customers of established reliability to whom an additional payment extension has been granted in a spirit of mutual cooperation.

It should also be noted that total trade receivables, decreased compared to 31 December 2022 by about Euro 858 thousand in the first half of 2023, as already argued in the section "Analysis of reclassified statement of financial position".

Liquidity risk

The liquidity situation of the Group 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 Group'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 Group's financial results, indirectly affecting the costs and returns of financing and investment operations. The Group regularly assesses its exposure to interest rate risk and manages these risks through the use of derivative financial instruments. The potential 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.
The Group is not exposed to interest rate fluctuation risk.

Risk related to the trend in exchange rates

The Group also operates in countries outside the so-called Eurozone, importing or exporting goods or services usually in Euro. In some limited circumstances, it has signed commercial contracts in currencies other than the Euro. The Group 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. To date, the Group has a few multi-year contract signed in dollars. In order to hedge against foreign exchange risk, a Forward contract was entered into, details of which are given below.

30 June 2023

(In Euro thousands)	**Due date**	**Fair value in Eur/000**
Forward on foreign currencies	29/12/2023	(26)
Forward on foreign currencies	29/12/2025	(34)
Total		**(60)**

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 Group'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 Group'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 Group.
In this regard, it should be noted that the Group 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 and trade capacity. Apart from the slight challenge of acquiring electronic materials, which the Group 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 section 12 "Russia-Ukraine Conflict" in the explanatory notes for the analysis of risks and impacts arising from the conflict.

For a complete analysis of the risks identified by the Management and classified according to four categories: compliance, strategic, operational and reporting, please refer to the 2022 Sustainability Report, paragraph §"Management risks", published on 28 June 2023 and available on the corporate website at the following link: https://www.civitanavi.com/wp-content/uploads/2023/06/1687952294_Bilancio_di_Sostenibilita_2022_ENG.pdf.

Relationships with associated and affiliate companies and with the major shareholder

For the relationships with associated and affiliate companies and with the major shareholder, 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 section 9 "Transactions with related parties" of the Notes to the Financial Statements.

Chairman of the Board of Directors and CEO
Andrea Pizzarulli

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.

Condensed Consolidated Financial Statements as at 30 June 2023

Consolidated Statement of Financial Situation

(in Euro)	Notes	As at 30 June 2023	As at 31 December 2022
ASSETS			
Non-current assets			
Intangible assets	7.1	3,552,130	2,444,787
Right of use assets	7.2	1,032,123	707,371
Tangible assets	7.3	7,075,449	6,748,653
Investments in associates and other financial assets	7.4	2,158,934	61,665
Deferred tax assets	7.5	2,559,202	2,522,166
Total non-current assets		**16,377,838**	**12,484,641**
Current assets			
Inventories	7.6	13,812,583	7,529,428
Trade receivables	7.7	10,193,107	11,051,575
Assets for work in progress on order	7.8	23,922,152	23,158,643
Other receivables and current assets	7.9	4,568,766	3,838,306
Current financial assets	7.10	820,614	654,324
Cash and cash equivalents	7.11	14,932,187	25,921,022
Total current assets		**68,249,409**	**72,153,297**
TOTAL ASSETS		**84,627,247**	**84,637,938**

(in Euro)	Notes	As at 30 June 2023	As at 31 December 2022
Share capital		4,244,000	4,244,000
Reserves		43,228,151	35,490,594
Net result		(973,610)	6,974,949
Total net equity	7.12	**46,498,540**	**46,709,543**
Non-current liabilities			
Non-current financial liabilities	7.13	893,782	923,523
Non-current lease liabilities	7.2	983,935	708,323
Deferred tax liabilities	7.5	27,462	52,632
Defined benefit schemes	7.14	950,312	822,367
Provisions for risks and charges	7.15	0	0
Total non-current liabilities		**2,855,491**	**2,506,845**
Current liabilities			
Current financial liabilities	7.13	190,432	271,406
Current lease liabilities	7.2	207,845	149,854
Trade payables	7.16	7,314,215	7,515,577
Advance payment on assets for work in progress	7.8	23,286,533	22,128,827
Tax payables	7.17	273,544	243,625
Other current payables and liabilities	7.18	4,000,646	5,112,261
Total current liabilities		**35,273,215**	**35,421,550**
TOTAL LIABILITIES AND NET EQUITY		**84,627,247**	**84,637,938**

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Consolidated Income Statement

(in Euro)	Notes	Period ended on June 30, 2023	Period ended on June 30, 2022
Operating revenues	8.1	21,191,678	13,404,102
Other revenues and income	8.2	553,874	154,610
Total Revenues		**21,745,553**	**13,558,712**
Raw material costs and change in inventories	8.3	10,828,499	4,846,019
Personnel costs	8.4	7,709,234	2,585,883
Service costs	8.5	3,245,411	2,704,327
Other operating costs	8.6	201,160	97,725
Write-downs of net financial assets	8.7	32,989	19,930
Amortisation and depreciation and write-downs	8.8	668,789	438,189
Operating profit		**(940,529)**	**2,866,640**
Financial income	8.9	452,512	219,941
Financial expenses	8.9	(380,359)	(240,135)
Share of profit/(loss) of equity-accounted associates	7.4	(172,366)	0
Profit before taxes		**(1,040,741)**	**2,846,446**
Income taxes	8.10	67,131	(812,629)
Net result		**(973,610)**	**2,033,817**

Basic earning (loss) per share	8.11	**(0.03)**	**0.07**
Diluted earning (loss) per share	8.11	**(0.03)**	**0.07**

Consolidated Statement of Comprehensive Income

(in Euro)	Notes	Period ended on June 30, 2023	Period ended on June 30, 2022
Net result		**(973,610)**	**2,033,817**
Other comprehensive income/(loss) that will be subsequently reclassified to profit/(loss) for the period:			
Profit/(loss) on the effective portion of cash flow hedge instruments	7.13, 7.12	63,557	(117,014)
Translation differences	7.12	(925)	0
Current portion of "Other comprehensive income (expense)", equity-accounted associates	7.4	11,461	-
Total other components of the comprehensive income statement		**74,093**	**(117,014)**
Other components of the comprehensive income statement that will not be reclassified to profit/(loss) for the period:			
Actuarial profits (losses) for defined benefit schemes	7.12, 7.14	(30,470)	168,580
Total other components of the comprehensive income statement		**(30,470)**	**168,580**
Comprehensive net result		**(929,987)**	**2,085,383**

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Consolidated Statement of Changes in Equity

(In Euro)	**Notes**	**Share Capital**	***Reserves***												**Total net equity**
			Legal reserve	***Share premium reserve***	***Extraordinary reserve***	***Reserve for own shares***	***Stock option reserve under Ltd plan***	***Other reserves***	***EU-IFRS firs-time adoption reserve***	***Cash flow hedge instruments reserve***	***Actuarial profits and losses reserve***	***Retained earnings (losses)***	***Translation reserve***	***Retained earnings of consolidation***	***Net result***	
1 January 2022	7.12	**500,000**	**100,000**	**0**	**10,454,616**	**0**	**0**	**0**	**(32,454)**	**(19,692)**	**(91,561)**	**2,513,883**	**0**	**0**	**4,878,619**	**18,303,411**
Profit/(Loss) of the period										0	0	0			2,033,817	2,033,817
Total other components of the comprehensive income statement										(117,014)	168,580	0			0	51,566
Comprehensive net result		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*(117,014)*	*168,580*	*0*	*0*	*0*	*2,033,817*	2,085,383
Allocation of the net result 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)
30 June 2022	7.12	**4,244,000**	**343,931**	**17,565,228**	**15,089,303**	**0**	**0**	**0**	**(32,454)**	**(136,707)**	**77,019**	**2,513,883**	**0**	**0**	**2,033,817**	**41,698,020**

1 January 2023	7.12	**4,244,000**	**343,931**	**17,565,228**	**15,089,303**	**0**	**0**	**0**	**(32,454)**	**(80,668)**	**91,371**	**2,513,883**	**0**	**0**	**6,974,949**	**46,709,543**
Profit/(Loss) of the period															(973,610)	(973,610)
Total other components of the comprehensive income statement										63,557	(30,470)		10,537		0	43,623
Comprehensive net result		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*63,557*	*(30,470)*	*0*	*10,537*	*0*	*(973,610)*	*(929,987)*
Allocation of the net result of the previous year			348,747		2,551,241			76,161							(2,976,149)	0
Other movements				341,455		(9,972)	4,450,499							(64,198)		4,717,785
Dividends distributed															(3,998,800)	(3,998,800)
30 June 2023	7.12	**4,244,000**	**692,678**	**17,906,682**	**17,640,545**	**(9,972)**	**4,450,499**	**76,161**	**(32,454)**	**(17,112)**	**60,900**	**2,513,883**	**10,537**	**(64,198)**	**(973,610)**	**46,498,540**

Consolidated Statement of Cash Flows

(In Euro)	Notes	Period ended on June 30, 2023	Period ended on June 30, 2022
Net result		**(973,610)**	**2,033,817**
- Adjustments for:			
Income taxes		(67,131)	812,629
Amortisation and depreciation and write-downs	8.7 - 8.8	668,789	438,189
Financial expenses/(income)	8.9	(72,154)	20,194
Other non-monetary changes		4,930,884	(817,273)
Cash flow generated/(absorbed) by operating activities before changes in net working capital		**4,486,778**	**2,487,556**
Change in inventories	7.6	(6,283,156)	(1,707,213)
Change in trade receivables	7.7	825,479	5,752,427
Change in Assets for work in progress on order and Advance payments on work in progress	7.8	394,197	1,398,188
Change in trade payables	7.16	(201,363)	(343,154)
Change in other assets and liabilities	7.9 - 7.18	(1,812,156)	1,190,111
Cash flow generated / (absorbed) by operating activities		**(2,590,221)**	**8,777,915**
Change in provisions for risks and Defined benefit schemes	7.14	(23,729)	(8,851)
Taxes paid	8.10	0	(792,308)
Net cash flow generated/(absorbed) by operating activities (A)		**(2,613,949)**	**7,976,756**
Investments/Disposals in fixed assets	7.3	(758,921)	(1,005,363)
Investments/Disposals in intangible assets	7.1	(1,244,894)	(754,077)
Investments and other financial assets	7.4	(2,269,838)	0
Net cash flow generated/(absorbed) by investing activities (B)		**(4,273,654)**	**(1,759,440)**
Loans repayment	7.13	(66,329)	(2,477,534)
Change in current financial liabilities	7.13	(39,978)	0
Payments of capital and share premium reserve	7.12	341,455	21,309,228
Dividends paid	7.12	(3,998,800)	0
Buyback of company shares	7.12	(9,972)	0
Repayment of lease liabilities	7.2	(89,658)	(73,736)
Financial expenses paid	8.9	(353,043)	(102,243)
Financial income collected	8.9	281,382	182,540
Financial assets		(166,290)	680,769
Net cash flow generated/(absorbed) by financial activity (C)		**(4,101,232)**	**19,519,023**
Total change in cash and cash equivalents (A)+(B)+(C)		**(10,988,836)**	**25,736,339**
Cash and cash equivalents at the beginning of the period		**25,921,022**	**1,719,184**
Total change in cash and cash equivalents		(10,988,835)	25,736,339
Cash and cash equivalents at the end of the period		**14,932,187**	**27,455,523**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2023

1. General Information

1.1 Foreword

The Civitanavi Systems Group (hereinafter referred to as the "**Group**") is a prominent player in the high-tech field of navigation and inertial stabilization systems. The parent company, Civitanavi Systems S.p.A. (hereinafter also the "**Company**"), is an entity incorporated and domiciled in Italy, with its registered office in Pedaso (FM), Via del Progresso No. 5, organized in accordance with the laws of the Italian Republic.

The majority shareholder of the Company is Civitanavi Systems Ltd, which directly holds 66.21% of the share capital, while the remaining 33.79% is publicly traded (floating), of which 5.09% is held by Athena Spa.

The Company is not subject to the direction and coordination of Civitanavi Systems Ltd. By resolution dated 13/10/2021, the Board of Directors of the Company resolved the absence of coordination activities pursuant to Article 2497 et seq. of the Civil Code by Civitanavi Systems Ltd. In particular, it emphasized the following points: (i) Civitanavi Systems Ltd does not exercise any active influence over the Company's operations, thereby allowing the administrators of the latter complete autonomy of action; (ii) it does not establish strategic, industrial, financial plans, commercial policies, or budgets for the Company; (iii) it neither defines nor influences the Company's commercial or market strategies; (iv) it does not wield effective decision-making powers over the Company; (v) its relationship with the Company is limited to the simple exercise of administrative and property rights arising from its status as a shareholder.

It is clarified that the Swiss company is not part of any group, and during the first half of 2023, no transactions occurred between Civitanavi Systems S.p.A. and Civitanavi Systems Ltd, except for transactions related to the execution of the CNS LTD Stock Option Plan. For more details, please refer to paragraph 6 of the notes to the Condensed Consolidated Half-Year financial statements. Furthermore, it is specified that the Company does not hold shares or stakes in the parent company, even through trust companies or intermediary entities.

2. Summary of the accounting standars adopted

The half-year financial report as of June 30, 2023 is prepared in compliance with the provisions of Article 154 ter paragraph 2 of Legislative Decree no. 58/98 - Consolidated Financial Act - and subsequent amendments and integrations. The Condensed Consolidated Financial Statements as of 30 June 2023, included in the half-year financial report, have been prepared in accordance with IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB). These statements consist of the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, the Consolidated Statement of Cash Flows, and the Consolidated Statement of Changes in Equity, as well as their accompanying explanatory notes.

The explanatory notes, as per IAS 34, are presented in a summarized form and do not include all the information required for annual financial statements. Therefore, the information provided in the Half-Year Condensed Consolidated Financial Statements should be read in conjunction with the financial statements as of 31 December 2022, prepared in accordance with IFRS.

Furthermore, as this is the Group's first Condensed Consolidated Financial Statements as at 30 June 2023, the accounting principles and consolidation criteria adopted are presented later in this paragraph.

It should be noted that the Group adopts the semester (the period from January 1 to June 30) as the interim reporting period for the application of IAS 34 and the definition of interim financial statements therein.

These Half-Year Condensed Consolidated Financial Statements are subject to a limited audit by BDO Italia S.p.A.

These Half-Year Condensed Consolidated Financial Statements include the financial positions as of June 30, 2023, of the consolidated entities using the full consolidation method, prepared in accordance with IFRS accounting principles. The companies included in the consolidation scope, their ownership percentages, and the consolidation method are indicated in the attached "Consolidation Scope" appendix.

Subsidiaries

The companies over which the Group exercises control, either through direct or indirect share ownership of the majority of exercisable voting rights or through the right to receive variable returns from its relationship with them, impacting these returns and exerting power over the company, even without considering equity relationships, are consolidated using the full consolidation method. Companies that are immaterial for the accurate and fair representation of the Group's financial position, financial performance, and economic results are excluded from full consolidation, in accordance with the provisions of Legislative Decree no. 127/1991.

All controlled companies are included in the consolidation scope from the date the Group acquires control, and they are removed from the consolidation scope from the date the Group loses control.

Associates

An associate is a company over which the Group exerts significant influence. Significant influence is the power to participate in determining the financial and operational policies of the investee without having control or joint control. An investment in an associate holding 20% or more indicates significant influence unless proven otherwise.

The Group's interests in associate companies are valued using the equity method. Under the equity method, the investment in an associate company is initially recognized at cost. The carrying amount of the investment is increased or decreased to reflect the Group's share of the associate's post-acquisition profits and losses. Goodwill related to the associate is included in the carrying amount of the investment and is not subject to a separate impairment assessment.

The Period Income Statement reflects the Group's share of the associate's Income or Loss for the period. Changes in other comprehensive income components related to these associates are presented as part of the Group's Statement of comprehensive income. Additionally, in case an associate company records a change directly in equity, the Group records its applicable share in the statement of changes in equity, where applicable. Unrealized gains and losses arising from transactions between the Group and associate companies are eliminated proportionately based on the ownership interest in the associates.

The aggregate share of the Group in the Period Income of associate companies is recognized in the Income Statement after operating profit and represents the profit net of taxes and the portions attributable to other shareholders of the associate.

The financial statements of associate companies are prepared as of the same closing date as the Group's financial statements. When necessary, these statements are adjusted to conform with Group accounting principles.

After applying the equity method, the Group assesses whether there are indicators of impairment in its investment in associate companies. At each reporting date, the Group evaluates whether there is objective evidence that the investment in associate companies has suffered an impairment. In such cases, the Group calculates the impairment amount as the difference between the recoverable amount of the associate and its carrying value in the Group's financial statements, recognizing this difference in the Income Statement under "Share of profit/(loss) from of equity-accounted associates".

Upon loss of significant influence over an associate company, the Group evaluates and recognizes the remaining investment at fair value. The difference between the carrying amount of the investment at the date of loss of significant influence and the fair value of the remaining investment and consideration received is recognized in the income statement.

3. Recently issued accounting standards

The accounting policies adopted for the preparation of the Condensed Consolidated Financial Statement as at 30 June 2023 are consistent with those adopted for the preparation of the Finacial Statements as at 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the Condensed Consolidated Financial Statements as at 30 June 2023 of the Group.

Accounting standards, amendments and IFRS interpretations applied from 1 January 2023

As from January 1, 2023 the following changes to accounting standards have become applicable to the Group:

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. IFRS 17 replaces 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 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. IFRS 17 is based on a 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.

This standard is not applicable to the company.

Definition of Accounting Estimates – Amendments to IAS 8
The amendments to IAS8 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.
These amendments had no significant impact on the Half-Year Condensed Consolidated Financial Statements of the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and to IFRS *Practice Statement* 2 *Making Materiality Judgements* provide 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.
These amendments had no significant impact on the Half-Year Condensed Consolidated Financial Statements of the Group.

Deferred Tax 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. .
These amendments had no significant impact on the Half-Year Condensed Consolidated Financial Statements of the Group.

4. Estimates and assumptions

In addition to what is reported in Note 4 of the 2022 Annual Financial Report, to which reference is made, during the period, another area that requires estimation by the Directors for the preparation of the financial statements needs to be identified. During the period, a stock options plan was subscribed to (please refer to note 6 for further details), the accounting effects of which have been evaluated by management. The theoretical benefit attributed to the interested parties is quantified by measuring the fair value of the instrument granted on the allocation date using financial valuation techniques, incorporating any market conditions into the assessment and adjusting the number of rights expected to be granted at each reporting date.

5. Management of financial risks

For further details, please refer to the section "Main Risks and uncertainties" in the Interim Directors' Report on Operations.

6. Stock option plan from the major shareholder

The major 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 period of the number of options granted to employees of Civitanavi Systems S.p.A.

(In units)	Number of stock options on shares Civitanavi Systems LTD	Number of stock options on shares Civitanavi Systems S.p.A.
Outstanding at the beginning of the period	**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 major shareholder 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) had an accounting impact in this 2023 Half-Year Condensed 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 Euro 3.45 per share. The total number of shares exercised was 1,290,000 at a value of Euro 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 S.p.A., 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 personnel costs, accounted in the booking of Civitanavi Systems SpA, equal to Euro 4,450,500, is classified as "non recurring costs" and it has been normalised into Adjusted EBITDA. It results as a "non-monetary" expense as it did not determine any financial outlay for the Company as it was financially borne by Civitanavi Systems Ltd, at the same this expense is tax deductible for Civitanavi Systems S.p.A. according to the referring accounting and fiscal principles.
For greater clarity, it is specified that the transaction has not determined any increase in share capital for Civitanavi Systems S.p.A.

The stock option reserve, equal to Euro 4,450,500, is available and will be allocated to extraordinary reserve after the annual shareholder meeting for the approval of the financial statement for the year 2023.

7. Notes to the statement of financial situation

7.1 Intangible assets

The following table shows the composition and movement of intangible assets for the period ended on 30 June 2023.

(in Euro)	Development costs	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Intangible assets in progress and advance payments	Total
Historical Cost on 31 December 2022	**499,543**	**1,200,251**	**5,460**	**1,974,869**	**3,680,122**
Investments	80,689	265,942	0	898,263	1,244,894
Reclassifications	138,147	0	0	(138,147)	0
Decreases	0	0	0	0	0
Historical Cost on 30 June 2023	**718,379**	**1,466,193**	**5,460**	**2,734,984**	**4,925,017**
Amortisation provision on 31 December 2022	**164,808**	**1,065,068**	**5,460**	**0**	**1,235,335**
Amortisation	64,338	73,213	0	0	137,549
Decreases due to transfers and disposals	0	0	0	0	0
Amortisation provision on 30 June 2023	**229,145**	**1,138,281**	**5,460**	**0**	**1,372,886**
Net carrying amount on 31 December 2022	**334,735**	**135,183**	**0**	**1,974,869**	**2,444,787**
Net carrying amount on 30 June 2023	**489,234**	**327,912**	**0**	**2,734,984**	**3,552,130**

As at 30 June 2023, intangible assets consisted mainly of: Development costs equal to Euro 489 thousands, Concessions, licences, trademarks and similar rights to Euro 328 thousand and Intangible assets in progress and advance payments to Euro 2.735 thousand.

Concessions, licenses, trademarks and similar rights refer to avionics, management and generic software. They are largely licences for use of computer software, subject to amortisation process by one-third of their original cost.
The item “development costs” include capitalised and amortised internal development projects. Over the period the amount of Euro 81 thousand, referred to expenses incurred in the same period, has been capitalised, other than the amount of Euro 138 thousand which had been accounted under Intangible assets in progress in the previous reporting period and reclassified under this item after the definition of the projects and the subsequent start of the amortization process.

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 closing date of the Half-Year Condensed Consolidated Financial Statements.

For more details on the main initiatives, please see the specific section included in the Interim Directors’ Report on Operations of this Report.

During the period, there were no indications of possible impairments with reference to the intangible assets. No intangible assets with an indefinite useful life are recognised in these Helf-Year Condensed Consolidated Financial Statements.

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

The main information from the Consolidated Statement of Financial Position relating to lease contracts stipulated by the Group, which mainly acts as lessee, are shown in the table below.

(In Euro)	**30.06.2023**	**31.12.2022**
Net carrying amount of right-of-use assets (property)	969,095	699,936
Net carrying amount of right-of-use assets (vehicles)	63,028	7,435
Total carrying amount of right-of-use assets	**1,032,123**	**707,371**
Current lease liabilities	207,845	149,854
Non-current lease liabilities	983,935	708,323
Total lease liabilities	**1,191,780**	**858,177**

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

(In Euro)	**30.06.2023**	**30.06.2022**
Amortisation of right-of-use assets (property)	90,434	78,976
Amortisation of right-of-use assets (vehicles)	8,682	3,398
Total amortisation of right-of-use assets	**99,116**	**82,374**
Interest payable for leases	**35,961**	**19,851**
Property lease fees	116,135	90,119
Vehicles lease fees	9,483	3,469
Total cash flows for leases	**125,618**	**93,588**

Right-of-use-assets as at 30 June 2023 refer to the lease of a property located in Ardea (RM), to the lease of a property used as headquarters located in Pedaso (FM), to the lease of a property located in Casoria (NA), to a vehicle rental contract, and to two contracts for a building used as guest house located in Porto San Giorgio (FM) and one in Pedaso (FM). Furthermore, during the first semester 2023, new agreements under IFRS 16 requirements have been finalised. Those includes: the lease of a property located in Torino (TO), the lease of a property located in Bristol (UK) and three vehicles rental contracts.

The value of the right-of-use assets and that of lease liabilities are up by Euro 325 thousand and Euro 334 thousand, respectively, compared to 31 December 2022.

The value of the amortisation of right-to-use assets and interest payable for leases increased compared to 30 June 2022, for the amount of Euro 33 thousand.

Major accounting variations during the first semester 2023 are related to the new contracts agreed in the period, as commented above.

The table below shows the values of the Group’s lease liabilities as at 30 June 2023.

(In Euro)	As at 30 June 2023					
	within 1 year	**between 1 and 2 years**	**between 3 and 5 years**	**over 5 years**	**Carrying amount**	**Contract value**
Lease liabilities	207,845	245,665	650,110	88,161	1,191,780	1,191,780

The discount rate was determined based on the Group's incremental borrowing rate, i.e. the rate that the Group 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.

7.3 Tangible assets

The table below shows the composition and movements of tangible assets for the period closed on 30 June 2023.

(in Euro)	**Plant and machinery**	**Industrial and commercial equipment**	**Other assets**	**Lands and buildings**	**Tangible assets in progress and advance payments**	**Total**
Historical cost on 31 December 2022	**3,465,167**	**1,472,651**	**689,773**	**4,152,117**	**182,382**	**9,962,090**
Investments	127,405	476,874	73,990	9,955	70,697	758,921
Disposals	139,407	35,340	0	0	(174,747)	0
Reclassifications	0	0	(919)	0	0	(919)
Historical cost on 30 June 2023	**3,731,979**	**1,984,865**	**762,843**	**4,162,072**	**78,332**	**10,720,092**
Depreciation provision on 31 December 2022	**2,171,551**	**484,248**	**364,038**	**193,600**	**0**	**3,213,437**
Depreciation	188,938	122,318	62,396	58,473	0	432,124
Disposals	0	0	(919)	0	0	(919)
Depreciation provision on 30 June 2023	**2,360,489**	**606,566**	**425,514**	**252,073**	**0**	**3,644,643**
Net carrying amount on 31 December 2022	**1,293,615**	**988,404**	**325,735**	**3,958,517**	**182,382**	**6,748,653**
Net carrying amount on 30 June 2023	**1,371,490**	**1,378,300**	**337,329**	**3,909,999**	**78,332**	**7,075,449**

Net carrying amount of tangible assets amounts to Euro 7.075 thousand and is mainly composed by the value of the building destined to be in the future the new "Headquarters" of the Group. Furthermore it includes equipment, plant and machineries for the industrial and logistic area.
During the period ended on 30 June 2023, investments in tangible assets have occurred for the amount of Euro 759 thousand. These investments are mainly related to purchase of industrial plant and machineries and equipment and to purchase of electronic machines.
The item “Tangible assets in progress and advance payments” comprises the advances paid to suppliers for the purchase of machineries and industrial equipments.
Depreciation for the period, equal to Euro 432 thousand, is accounted in the related line of the income statement.

During the period, there were no indications of possible impairments with reference to the tangible assets.
As at 30 June 2023, there are no tangible assets owned by the company subject to any type of guarantee granted in favour of third parties.

7.4 Investments in associates and other financial assets

The table below shows the breakdown of Investment in associates and other financial assets as at 30 June 2023 and 31 December 2022.

(in Euro)	**30.06.2023**	**31.12.2022**
Investments	2,108,934	1
Other Financial Assets	50,000	50,000
Financing Assets to subsidiaries	0	11,664
Investments in associates and other financial assets	**2,158,934**	**61,665**

Investments of the amount of Euro 2,109 thousand are related to the equity-accounted associate PV Labs Ltd. In January 2023 the Company announced the signing of a binding agreement to purchase a minority stake of 30% in PV Labs Ltd. The agreement has been finalized on 5 May 2023, in line with the terms of the binding letter announced, for the amount of USD 2,5 million, equal to Euro 2,27 million. The agreement includes a call option to purchase the remaining 70% ownership which can be exercised in 5 years.

The following table summarises the financial information of the Group’s investment in PV Labs:

(In Euro thousands)	**30.06.2023**	**Opening Balance**
Non current assets	193	203
Current assets	2,799	3,496
Non current libilities	(59)	(80)
Current liabilities	(2,362)	(2,586)
Net Equity	**(571)**	**(1,033)**
Group net equity (*) – 30%	(51)	(212)
Goodwill	2,058	2,058
Net value of the investment of the Group	**2,109**	**2,270**

(*) Group net equity does not include the value of those reserves from the equity of the associate which have been already directly included in the income statement of the associate.

Following the Other comprehensive income statement of the associate PV Labs as at 30 June 2023 is reported:

(In Euro thousands)	**30.06.2023**
Net result of the period	**(575)**
Other comprehensive income that will be subsequently reclassified to profit/(loss) of the period:	
Translation differences	38
Total other comprehensive income that will be subsequently reclassified to profit/(loss) of the period	**38**
Other comprehensive income that will not be subsequently reclassified to profit/(loss) of the period:	-
Total other comprehensive income (expenses)	**38**
Total comprehensive net result	**(536)**
Total comprehensive net result of the Group – 30%	**(161)**

The associate has no significant contingent liabilities nor committments as at the opening balance date nor as at 30 June 2023.

Refer to section 9 “Transactions with related parties” for more details on transactions with the associate.

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 Euro 50 thousand, subscribed in 2019 with maturity on 20 November 2023.

7.5 Deferred tax assets and deferred tax liabilities

The table below shows the breakdown of deferred tax assets as at 30 June 2023 and 31 December 2022.

(in Euro)	**30.06.2023**	**31.12.2022**
Losses on receivables	8,400	8,400
Unrealised foreign currency losses	2,862	799
Intangible assets - know-how and patents revaluation pursuant to (It.) Dl 104/2020	2,298,400	2,298,400
Inventories	74,936	74,936
Financial derivative instruments	14,518	29,066
Right of use assets	24,792	24,792
Tax losses	85,772	85,772
Other	49,521	-
Deferred tax assets	**2,559,202**	**2,522,165**

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

During the first half-year 2023 Deferred tax assets increase for the amount of 37 thousand. The increase is mainly due to the tax effects on the equity method accounting of the investment in PV Labs (included in the item “Other” in the table above).

The table below shows the breakdown of deferred tax liabilities as at 30 June 2023 and 31 December 2022.

(in Euro)	**30.06.2023**	**31.12.2022**
Unrealised foreign currency gain	1,901	19,077
Provisions for employee benefits	25,562	33,555
Deferred tax liabilities	**27,462**	**52,632**

The table below shows the composition and movements of deferred tax assets and deferred tax liabilities for the period ended on 30 June 2023.

(In Euro thousands)	**Balance at 31.12.2022**	***Expenses (Income) to P&L***	***Other movements to OCI***	**Balance at 30.06.2023**
Losses on receivables	8			8
Unrealised foreign currency losses	1	*2*		3
Intangible assets - know-how and patents revaluation pursuant to (It.) Dl 104/2020	2,298			2,298
Inventories	75			75
Financial derivative instruments	29		*(15)*	15
Right of use assets	25			25
Tax losses	86			86
Other		*50*		50
Total Deferred tax assets	**2,522**	***52***	***(15)***	**2,559**
Unrealised foreign currency gain	(19)	*17*		(2)
Provisions for employee benefits	(34)		*8*	(26)
Total deferred tax liabilities	**(53)**	***17***	***8***	**(27)**

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.

7.6 Inventories

The table below shows the breakdown of inventories as at 30 June 2023 and 31 December 2022.

(in Euro)	**30.06.2023**	**31.12.2022**
Finished products and other inventories	2,282,135	1,340,526
Raw materials, ancillaries and consumables	6,516,386	3,906,329
Unfinished and semi-finished products	3,161,703	1,863,562
Advance payments to suppliers	2,164,595	731,246
Gross inventories	**14,124,818**	**7,841,663**
Provision for inventory write-downs	(312,235)	(312,235)
Inventories	**13,812,583**	**7,529,428**

The provision for inventory write-downs on 30 June 2023 has not changed compared to 31 December 2022. The provision is considered adequate; therefore no further provision have been included.

The increase in inventories of Euro 6,283 thousand is related to the procurement of necessary stock to face the future production volume and forecasted sales for the second semester.

For more details on transactions with related parties, refer to section 9 “Transactions with related parties”.

7.7 Trade receivables

The table below shows the breakdown of trade receivables as at 30 June 2023 and 31 December 2022.

(in Euro)	**30.06.2023**	**31.12.2022**
Trade receivables from customers	10,417,553	11,182,429
Trade receivables from subsidiaries	0	60,603
Trade receivables (gross)	**10,417,553**	**11,243,032**
Provision for write-downs of trade receivables	(224,446)	(191,457)
Trade receivables	**10,193,107**	**11,051,575**

It is deemed that the carrying amount of the trade receivables is approximately equal to the fair value.

The table below provides a breakdown of the trade receivables on 30 June 2023 by classes of amounts due.

(in Euro)	**To expire**	**Past due up to 30 days**	**Past due between 30 and 60 days**	**Past due between 61 and 90 days**	**Past due over 90 days**	**Total**
Gross trade receivables on 30 June 2023	4,780,468	3,331,621	821,998	30,000	991,379	**9,955,467**
Invoices to be issued/Credit notes to be issued	462,086					**462,086**
Provision for write-downs of receivables					(224,446)	**(224,446)**
Trade receivables on 30 June 2023	**5,242,554**	**3,331,621**	**821,998**	**30,000**	**766,933**	**10,193,107**

The amount of receivables past due over 90 days includes for Euro 128 thousand, to the VAT credit relating to a trade receivable

recognised as a loss in the previous financial years. The remaining part is attributable to receivables from customers of consolidated reliability.
Provision for write-downs of receivables, equal to Euro 224 thousand, is deemed to be adequate adjust the receivables to their net realizable value.

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

The table below shows the movements of the provision for write-downs of trade receivables for the period ended 30 June 2023:

(in Euro)	**Provision for write-downs of trade receivables**
Balance on 31 December 2022	**191,457**
Provisions	32,989
Uses	0
Balance on 30 June 2023	**224,446**

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

Assets for work in progress on order amounting to Euro 23,922 thousand on 30 June 2023 and to Euro 23,159 thousand on 31 December 2022, refer to the inventories of work in progress for multi-year orders accounted for with the percentage of completion method. Liabilities for advance payments on assets for work in progress, equal to Euro 23,287 thousand on 30 June 2023 and to Euro 22,129 thousand on 31 December 2022, 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, net of related advence payments on assets for work in progress received from customers:

(in Euro)	**30.06.2023**	**31.12.2022**
Assets for work in progress on order	23,922,152	23,158,643
Advance payments on assets for work in progress	(23,286,533)	(22,128,827)
Net carrying amount of assets for work in progress on order	**635,619**	**1,029,816**

The decrease of the net carrying amount of assets for work in progress on order is related to the more than proportional increase of advances compared to the related completed assets.

7.9 Other receivables and current assets

The table below shows the breakdown of Other receivables and current assets as at 30 June 2023 and 31 December 2022.

(in Euro)	**30.06.2023**	**31.12.2022**
Tax and other receivables	3,601,831	3,273,960
Deferred expenses	514,593	275,063
Advance payments	318,541	289,284
Receivables from major shareholder	133,801	-
Other receivables and current assets	**4,568,766**	**3,838,306**

Tax and other receivables mainly refer to:
- Ires receivables amounting to Euro 1,210 thousand and Irap receivables amounting to Euro 261 thousand owed to the Group by the tax authorities;
- tax credit for research and development costs amounting to Euro 254 thousand as at 30 June 2023 into which the residual R&D tax credit from 2021 (Euro 56 thousand) and 2022 (Euro 197 thousand) flow;
- VAT receivable from the tax authorities amounting to Eur 440 thousand as at 30 June 2023 (Euro 623 thousand on 31 December 2022);
- Tax credit for the amount of Euro 500 thousand for consultancy services expenses related to listing of SMEs recognized to the Group pursuant to l. 205/2017. Refer to notes 7.12 “Net Equity” and 8.2 “Other revenues and income” for further details;
- Credit for grant pursuant to l. 808 for Euro 200 thousand as at 30 June 2023.

Prepaid expenses are attributable to different natures of prepayments and mainly incorporate insurance premiums and fees related to IT/digital management.

The item advance payments, for the amount of Euro 319 thousand, include advances paid to suppliers of services.

The receivable from the major shareholder, equal to Euro 134 thousand, reflects the receivable amount from Civitanavi Systems Ltd after Civitanavi Systems S.p.A. acted as a tax withholding agent referring to the operation of Stock Option. The amount will be paid by Civitanavi Systems Ltd when the Company will have to pay the withholding tax in accordance with law. Refer to note 6 “Stock option plan from the major shareholder” for further details.

For a summary on transactions with related parties, refer to section 9 “Transactions with related parties”.

7.10 Current financial assets

The following table shows the value of current financial assets as at 30 June 2023 and 31 December 2022.

(In Euro)	**30.06.2023**	**31.12.2022**
Current financial assets	820,614	654,324

The current financial assets category includes the fair value of investments in Mutual Funds Sicav/Sicaf/ETF held in custody at Unicredit S.p.A. as of June 30, 2023, amounting to Euro 750 thousand (fair value of EURO 648 thousand as of December 31, 2022), and interest receivables on matured bank deposits totaling Euro 70 thousand.

The fair value adjustment as of June 30, 2023, resulted in a revaluation of Euro 63 thousand. For further details, please refer to Note 8.9 "Financial Income and Expenses" in this document.

7.11 Cash and cash equivalent

The following table presents the detailed breakdown of cash and cash equivalents as at June 30, 2023, and December 31, 2022, respectively.

(In Euro)	**30.06.2023**	**31.12.2022**
Bank and postal deposits	14,904,853	25,919,938
Cash in hand	27,334	1,084
Cash and cash equivalents	**14,932,187**	**25,921,022**

As of June 30, 2023, and December 31, 2022, cash and cash equivalents are not subject to restrictions or constraints. Cash and cash equivalents mainly consist of the balance of active current accounts.

Please refer to the Consolidated Cash Flow Statement for a detailed analysis of the semi-annual movements and to the section "Analysis of Net Financial Debt and Net Financial Position" in the Interim Directors’ Report on Operations for further insights.

7.12 Net equity

The following table provides the detailed statement of net equity as of June 30, 2023, and December 31, 2022.

(in Euro)	**30.06.2023**	**31.12.2022**
Share capital	4,244,000	4,244,000
Legal reserve	692,678	343,931
Share premium reserve	17,906,682	17,565,228
Extraordinary reserve	17,640,545	15,089,303
Reserve for own shares	(9,972)	0
Stock option reserve	4,450,499	0
Other reserves	76,161	0
EU-IFRS firs-time adoption reserve	(32,454)	(32,454)
Cash flow hedge instruments reserve	(17,112)	(80,668)
Actuarial profits and losses reserve	60,900	91,371
Retained earnings (losses)	2,513,883	2,513,883
Translation reserve	10,537	0
Retained earnings of consolidation	(64,198)	0
Profit/(Loss) of the period	(973,610)	6,974,949
Total net equity	**46,498,540**	**46,709,543**

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

Share capital

As of June 30, 2023, the share capital, fully subscribed and paid, amounts to Euro 4,244,000, divided into 30,760,000 ordinary

shares, without indication of nominal value and dematerialized. Each ordinary share of the Company grants the right to one vote in the ordinary and extraordinary meetings of the Company, as well as other administrative rights provided by applicable legal provisions and the Bylaws.
No categories of shares with voting rights or other rights of a different nature than ordinary shares have been issued. Likewise, no financial instruments have been issued granting the right to subscribe to new shares.

Share premium reserve

The share premium reserve amounts to Euro 17,907 thousand as of June 30, 2023 (Euro 17,565 thousand as of June 30, 2022). The increase in the first half of 2023, amounting to Euro 341 thousand, is attributed to the portion of a tax credit recognised in 2023 for the costs of listing (including placement fees) incurred during 2022. These costs had previously reduced the share premium reserve by Euro 1,731 thousand, net of the related tax effect, in accordance with the provisions of IAS 32.

Reserve for own shares

On June 5, 2023, the Company initiated the share buyback program authorized by the Shareholders' Meeting on April 27, 2023 (the "Buyback Plan"). The program will be valid until October 5, 2024, and envisages a maximum number of repurchasable shares of 1,500,000 shares (equivalent to approximately 4% of the subscribed and paid-up share capital) corresponding to a maximum amount of Euro 8,700,000. The program aims to provide the Company with a valuable strategic investment opportunity and to launch the new stock options plan "CNS - 2023 Stock Option Plan" intended for members of the board of directors and employees of Civitanavi Systems S.p.A. and/or its controlled companies. As of June 30, 2023, the Company holds a total of 2,700 shares for a total amount of Euro 9,972.

Stock option reserve

The stock option reserve was recorded following the exercise of option rights for the subscription of shares of Civitanavi Systems S.p.A. by certain employees who were beneficiaries of the stock incentive plan originally implemented by Civitanavi Systems Ltd, the majority shareholder of Civitanavi Systems SpA, at a value of EURO 4,450,500. The transaction did not entail any increase in the share capital of Civitanavi Systems SpA, and the financial outlay was borne by Civitanavi Systems Ltd.
The reserve is available and will be allocated to extraordinary reserve following a resolution passed by the shareholders during the approval of the 2023 annual financial statements.
For further details, please refer to Section 6 "Majority Shareholder Stock Option Plan."

EU-IFRS firs-time adoption reserve

The EU-IFRS firs-time adoption reserve shows a negative balance of Euro 32 thousand and represents the effects of the conversion from Italian accounting principles to EU-IFRS.

Cash flow hedge instruments reserve

The Cash flow hedge instruments reserve, net of the deferred tax effect, has been recorded in relation to the negative fair value of the derivative at the date of the Interim Balance Sheet. The derivative was entered into to hedge currency risk. For more information, please refer to Note 7.13 "Financial Liabilities (Current and Non-current)" and the section "Main Risks and Uncertainties" of the Interim Directors' Report on Operations.

Actuarial profits and losses reserve

The Actuarial profits and losses reserve accommodates gains and losses resulting from changes in actuarial assumptions related to defined benefit plans. Please refer to Note 7.14 "Defined Benefit Plans" in this document for further details.

Dividends distributed

On May 10, 2023, dividends of Euro 3,999 thousand were paid, as approved by the Shareholders' Meeting on April 27, 2023.

7.13 Financial liabilities (current and non-current)

The following table presents the detailed breakdown of current and non-current financial liabilities as at June 30, 2023, and December 31, 2022.

(in Euro)	30.06.2023		31.12.2022	
	Current quota	Non-current quota	Current quota	Non-current quota
Loans from credit institutions (a)	43,276	0	107.885	0
Hedging derivative (b)	26,153	34,340	62.315	58.792
MiSE financing (c)	104,862	836,431	95.542	836.432
Simest Financing (d)	11,312	23,011	4.016	28.299
Payables for credit cards	4,830	0	1.649	0
Total loans	**190,432**	**893,782**	**271.406**	**923.523**
Total Financial Liabilities	**190,432**	**893,782**	**271.406**	**923.523**
Total current quota and non-current quota	**1,084,214**		**1,194,929**	

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

Below is a description of the main items that make up the financial liabilities of the Group as at June 30, 2023, and December 31, 2022.

a. Financing with credit institutions

(in Euro)	30.06.2023		31.12.2022	
	Current quota	Non-current quota	Current quota	Non-current quota
Intesa 120280 loan	43,276		107,885	
Total Loans	**43,276**	**-**	**107,885**	**-**

Unsecured Banca Intesa – Sabatini loan 2019
On November 28, 2019, the Company entered into a loan agreement with Banca Intesa for a total amount of Euro 500 thousand. The maturity date of the loan is set at October 31, 2023. The contract outlines a repayment plan with increasing instalments on a monthly basis.

This loan is supported by the Guarantee Fund for Small and Medium-sized Enterprises, established under Article 2, paragraph 100, letter a) of Law 662/96, and regulated by the decrees of the Ministry of Industry, Commerce, and Crafts dated May 31, 1999, no. 248, and December 3, 1999, as well as the decree of the Ministry of Productive Activities dated September 23, 2005.

b. Hedging Derivate

During 2022, two currency option contracts were entered into. The item "Hedging Derivative" includes, as of June 30, 2023, the negative fair value of these Forward contracts, with a total contractual amount of USD 6,200 thousand. This comprises a first tranche with a maturity date of December 29, 2023, for a contractual amount of USD 4,200 thousand, and a second tranche with a maturity date of December 29, 2025, with a contractual amount of USD 2,000.

c. MiSE financing – 2018

On February 5, 2018, the Company, under the law dated December 24, 1985, no. 808, regarding "Measures for the development and increased competitiveness of industries operating in the aeronautics sector," applied for funding for the project "FOGPIC Fiber Optic Gyroscope Photonic Inertial Chip." The funding requested amounted to 75% of the costs/expenses for research and development activities for the years 2018-2019-2020. This funding was distributed in annual installments, with allocation of the corresponding expense for each year.

In 2021, the final report was submitted, resulting in a total disbursement of EURO 1,427 million by December 31, 2021. This amount, recorded at amortized cost, will only be reimbursed by the Company for the funded portion, which is 80% of the disbursed amount, equal to EURO 1,142 million. The remaining 20% is non-repayable. The reimbursement will occur in 10 annual installments of EURO 114 thousand each, without the application of interest charges, until 2032.

d. Simest Financing – 2022

As part of the Subsidized Financing under the resources of the National Recovery and Resilience Plan (PNRR), the Company entered into an interest-subsidized loan agreement with Simest under the "de minimis" regime, amounting to 75% of the expenditure, with a non-repayable grant under the Temporary Framework regime accounting for 25% of the expenditure. Its objective is to support participation in a single international event to promote business activities in foreign markets. This event was identified by the Company as the "Farnborough International Airshow 2022 - Farnborough, United Kingdom."

Under a contract finalized on February 8, 2022, the company received an advance payment of EURO 50 thousand, equivalent to 50% of the projected expenditure for participating in the event, proportionally allocated based on the Financing and the Grant. The amount recorded in financial liabilities pertains only to the financed portion, valued at amortized cost, and will be repaid in six semi-annual installments starting from August 08, 2023, and ending on February 08, 2026.

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 Euro)	As at January 1, 2023	Loans taken	Change in hedging derivatives	Repayments	Amortised cost	As at 30 June 2023
Current and non-current financial liabilities	1,194,929	4,830	(60,614)	(66,329)	11,398	1,084,214
Total financial liabilities	**1,194,929**	**4,830**	**(60,614)**	**(66,329)**	**11,398**	**1,084,214**

7.14 Defined benefit schemes

The Defined Benefit Schemes include a liability for employee benefits amounting to Euro 916 thousand and a liability for the end-of-service indemnity, for the first half of 2023, pertaining to the Chairman of the Board of Directors, totaling Euro 34 thousand.

The following table provides the composition and movement of the defined benefit schemes for the period ending on June 30, 2023.

(In Euro)	Severance indemnity
Balance on 31 December 2022	**822,367**
Current service cost	87,572
Directors' end-of-mandate indemnity	10,000
Financial expenses	14,652
Actuarial losses/(profits)	40,093
Benefits paid	(24,372)
Balance on 30 June 2023	**950,312**

The value of the liabilities recognised in the balance sheet for this item is calculated on an actuarial basis using the unit credit projection method, except for the liability for end-of-service benefits due to its negligible impact as of June 30, 2023. The variation in pension schemes is affected by the volatility of discount rates, stemming from the current market conditions.

For a summary of related party transactions, please refer to section 9 "Related Party Transactions".

7.15 Provisions for risks and charges

In assessing potential provisions for liabilities, the general criteria of prudence and competence have been adhered to, and no risk funds have been established since no probable potential liabilities were identified as of 30 June 2023. Therefore, no provisions have been made, and there are no movements in the observed period.

Furthermore, as of the date of this Condensed Consolidated Financial Statements, no contingent liabilities are identified.

7.16 Trade payables

The following table provides the detailed breakdown of trade payables as of 30 June 2023 and 31 December 2022.

(in Euro)	30.06.2023	31.12.2022
Trade payables to suppliers	7,263,599	7,446,985
Trade payables to other related parties	50,616	68,592
Trade payables	**7,314,215**	**7,515,577**

Trade payables mainly relate to transactions for the purchase of raw materials, components and services. For trade payables to related parties, please refer to section 9 "Related Party Transactions" of this document.

The carrying value of trade payables is deemed to approximate their fair value.

7.17 Tax payables

The following table presents the detailed breakdown of tax payables as of June 30, 2023, and December 31, 2022.

(in Euro)	**30.06.2023**	**31.12.2022**
Withholdings at source from employees, assimilated and self-employed	269,394	235,342
Liability for substitute tax	1,578	8,148
Other tax payables	2,573	136
Tax Payables	**273,544**	**243,625**

As of 30 June 2023, tax payables amount to Euro 274 thousand, and as of 31 December 2022, they were Euro 244 thousand. The modest increase observed during the period is mainly attributed to withholding taxes from employee, assimilated, and self-employed liabilities, which in the first half of 2023 show an increase of Euro 34 thousand.

7.18 Other current payables and liabilities

The following table provides a detailed breakdown of other current payables and liabilities as of June 30, 2023, and December 31, 2022.

(in Euro)	**30.06.2023**	**31.12.2022**
Payables to employees	1,391,599	1,100,165
Payables to pension institutions	545,580	605,515
Deferred income	649,299	657,402
Payables to directors	21,179	19,091
Accrued liabilities	179	8
Advance payments from customers	1,085,586	2,654,519
Advances on projects	294,703	0
Other	12,523	75,560
Other current payables and liabilities	**4,000,646**	**5,112,261**

Payables to employees amount to Euro 1,392 thousand and include upcoming payroll items as well as accrued and unused vacation days and other accrued rights.

Payables to pension institutions, totaling Euro 546 thousand, relate to the portions borne by the companies and deductions made from employees for salary-related contributions, as stipulated by current regulations.

Advances from customers are Euro 1,086 thousand as of June 30, 2023, and Euro 2,655 thousand as of December 31, 2022. This item has decreased due to advances offset during the first half of 2023 in response to fulfilled sales orders.

Deferred Income refers to capital contribution grants for the purchase of machinery approved by the Marche Region, interest subsidies according to the DM 25/01/2016 "Nuova Sabatini" decree, contributions for the R&D tax credit for the years 2021 and 2022 related to capitalized development projects, as well as contributions for investments in instrumental assets made in 2020, 2021, and 2022 in compliance with Law 160/2019 and Law 178/2020.

Advances on projects, amounting to Euro 295 thousand, are related to a first tranche of contributions received related to the project Q-SiNG, "Quantum-based Simultaneous inertial Navigator and vector Gravimeter", made available by the European Union.

For a summary of transactions with related parties, please refer to section 9 "Related Party Transactions."

8. Notes to the income statement

8.1 Operating revenues

As at 30 June 2023 operating revenues amount to Euro 21,192 thousand and are composed of Euro 2,240 thousand from the change in finished and semi-finished products inventories and Euro 18,952 thousand from revenues derived from contracts with customers, of which Euro 764 thousand is due to changes in assets for contract work in progress.

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

(In Euro)	30.06.2023	Inc %	30.06.2022	Inc %	Change	Change %
Revenues from sale of goods	16,316	86%	8,140	66%	8,175	100%
Revenues from "Service"	512	3%	260	2%	252	97%
Revenues from royalties	519	3%	313	3%	206	66%
Revenues from services	842		262			
Changes in assets for work in progress on order	764		3,383			
Revenues from engineering services and Change in contract work[4]	1,605	8%	3,645	29%	(2,040)	(56%)
Operating revenues net of the change in FP/SFP inventories	**18,952**	**100%**	**12,359**	**100%**	**6,593**	**53%**
Change in FP and SFP inventories	2,240		1,046		1,194	114%
Operating revenues	**21,192**		**13,404**		**7,788**	**58%**

The table below shows the detailed statement of operating revenues by geographical area for the periods ended on 30 June 2023 e 30 June 2022.

(in Euro thousands)	As at 30 June 2023	% of total 2023	As at 30 June 2022	% of total 2022	Change 2023-2022	Change %
Italy	1,601	8%	1,211	10%	390	32%
EMEA (except Italy)	14,835	78%	8,096	65%	6,739	83%
APAC	2,564	14%	2,287	19%	277	12%
USA	(48)	0%	764	6%	(812)	(106%)
Rest of the World	0	0%	0	0%	0	0%
Operating revenues net of the change in FP/SFP inventories	**18,952**	**100%**	**12,359**	**100%**	**6,593**	**53%**
Change in FP and SFP inventories	2,240		1,046		1,194	114%
Operating revenues	**21,192**		**13,404**		**7,788**	**58%**

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

Contract work in progress refers to contracts entered into specifically for development activities in the aerospace and defence sector. Almost all customer contracts entered into by the Group do not include variable fees.
The Group believes that there is no contract that contains a significant financial component, or for which the period between the transfer of the agreed asset to the customer and the payment made by the customer exceeds twelve months. Therefore, no adjustment was made to the transaction consideration to take into account the effects of the time value of money.

Disclosure on Operating Segments

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

8.2 Other revenues and income

The following table provides a breakdown of other revenues and income for the periods ended 30 June 2023 and 2022.

(In Euro)	30.06.2023	30.06.2022
Recoveries, chargebacks and sharing	55,066	59,755
Grants	410,872	71,590
Insurance claims	71,915	-
Extraordinary income/Capital gains	2,133	18,531
Other revenues	13,888	4,734
Other revenues and income	**553,874**	**154,610**

[4] It should be noted that the increase in revenue from services must be analysed in conjunction with the item "Changes in assets for work in progress on order" as some engineering service contracts, accounted for using the percentage of completion method, were completed during the period.

As at June 30, 2023, other revenues and income amounted to Euro 554 thousand, compared to Euro 155 thousand as at June 30, 2022, showing a significant increase of Euro 399 thousand compared to the same period in the previous year. This increase is mainly attributable to a positive change in operating grants granted by the Marche Region for investment initiatives, contributions for Industry 4.0 instrumental goods investments, L808 contributions, Q-SiNG project contributions, and the tax credit recognized under law 205 paragraph 89 of December 27, 2017, as amended by law 197 paragraph 395 of December 29, 2022. The tax credit related to the latter circumstance was recognized up to a maximum of Euro 500 thousand, which has been allocated proportionally to the items "Other revenues and income" (Euro 159 thousand) and "Share Premium Reserve" (Euro 341 thousand) in line with the accounting method for costs incurred for the IPO in 2022 as per IAS 32.

It should be noted that grants recorded in the plant account are credited to the income statement in close correlation with the depreciation process referring to the assets and projects involved.

During the period, an insurance claim of Euro 72 thousand was recorded, which was recognized for damages to a machinery in the production area.

The item “Recoveries, chargebacks and sharing" includes both expense reimbursements claimed from customers by the Group and cost-sharing fees that are paid to the Group under contracts or other forms of agreement.

8.3 Raw material costs and change in inventories

The table below provides a breakdown of raw material purchases and consumption, for the years ended on 30 June 2023 and 2022.

(In Euro)	**30.06.2023**	**30.06.2022**
Purchases of raw materials and consumables	13,471,062	5,513,525
Changes in inventories of raw materials, ancillary materials, consumables and goods	(2,642,563)	(667,506)
Raw material costs and change in inventories	**10,828,499**	**4,846,019**

The item “Changes in inventories” includes net allocations to the provision for inventory write-downs, which were nil both as of June 30, 2023 and June 30, 2022. The increase in the cost of goods purchased has proportionally risen in accordance with the increase in revenue from the sale of goods.

For further details, please refer to the commentary in the Interim Directors’ Report on Operations.

8.4 Personnel costs

The following table provides a breakdown of personnel costs for the periods ended on 30 June 2023 and 30 June 2022.

(In Euro)	**30.06.2023**	**30.06.2022**
Salaries and wages	6,627,09	1,705,999
Social security expenses	855,841	689,206
Expenses for severance indemnity	197,952	168,678
Other	27,832	22,000
Personnel costs	**7,709,234**	**2,585,883**

The total personnel cost as of June 30, 2023, amounts to EURO 7,709 million, with an increase of EURO 5,123 million compared to June 30, 2022. The main reason for this significant increase is attributed to the non-recurring event related to the exercise of option rights for the subscription of shares of Civitanavi Systems S.p.A. by employees beneficiaries of the plan, originally implemented by Civitanavi Systems Ltd. On February 1, 2023, Civitanavi Systems Ltd entered into an addendum with the employees beneficiaries of the original Plan, in which the Parties agreed, by mutual consent, to modify the option rights assigned - free of charge - to the employees, foreseeing the allocation, following the exercise of the options, of shares of Civitanavi Systems S.p.A., instead of shares of the parent company Civitanavi Systems Ltd. On February 1, 2023, the employees exercised the option rights assigned to them, at the closing market price on January 31, 2023, of Euro 3.45, for a total value of Euro 4,450,500. It is specified that this cost is "non-monetary" as the financial outlay is borne by the majority shareholder, Civitanavi Systems Ltd, the holder of the Stock Option Plan. Refer to section 6 "Majority Shareholder's Stock Option Plan" for more details.

Excluding the effects of the plan, personnel cost amounts to Euro 3,258 thousand, mainly due to new hires during the period. Additionally, during the period, Salaries and Wages of Euro 628 thousand were capitalized (accounted for by nature) relating to personnel costs involved in Development projects. Refer to Note 7.1 "Intangible Assets" in this document for more information.

For a summary of transactions with related parties, please refer to section 9 "Related Party Transactions".

The following table shows the average and exact number of the Group's employees for the periods ended 30 June 2023 and June 2022, indicating the category.

(Exact number)	30.06.2023	30.06.2022
Blue-collar workers	55	44
White-collar workers	102	80
Middle managers	9	8
Executives	2	2
Total employees	**168**	**134**

(Average number)	30.06.2023	30.06.2022
Blue-collar workers	50	36
White-collar workers	91	77
Middle managers	9	8
Executives	2	1
Total average employees	**152**	**121**

8.5 Service Costs

The following table provides a breakdown of service costs for the periods ended on 30 June 2023 and 30 June 2022:

(In Euro)	30.06.2023	30.06.2022
Utilities, cleaning services, and security services	121,005	103,226
Maintenance	20,076	19,062
Transport	126,174	49,900
Consultancy	1,075,941	1,400,060
Technical services	533,307	392,645
Travel and accomodation services	185,205	144,090
External processing	401,607	91,163
Marketing e trade fairs	131,350	36,600
Insurance	78,378	41,242
Canteen	113,552	78,246
Commissions	30,685	22,216
Remuneration of BoD	248,285	236,421
Remuneration of the audit firm	25,585	17,500
Remuneration of the board of auditors	15,600	12,133
Remuneration of supervisory body	4,186	0
Remuneration of internal audit	12,558	13,104
Other services	121,917	46,717
Service Costs	**3,245,411**	**2,704,327**

Under the category "Costs for services," totaling Euro 3,245 thousand, there are specific inclusions such as expenses for consultations, technical and professional services, external processes, maintenance, utilities, cleaning services, and other services.

The increase in costs for transportation, technical services, and external processes reflects the rise in realized turnover during the period. However, consultancy expenses have decreased compared to the same period of the preceding fiscal year, during which the costs associated with the IPO listing in February 2022 were accounted for.

Moreover, the "Costs for services" section includes remunerations to the Company's governing bodies, including:

- remuneration of BoD amounting to Euro 248 thousand (compared to Euro 236 thousand in the first half of 2022);
- remuneration of the audit firm amounting to Euro 26 thousand (versus Euro 18 thousand as of 30 June 2022);
- remuneration of the board of auditors amounting to Euro 16 thousand (compared to Euro 12 thousand as of 30 June 2022);
- remuneration of supervisory body amounting to Euro 4 thousand (not applicable as of 30 June 2022, as the Supervisory Body was appointed in July 2022);
- remuneration of internal audit amounting to Euro 13 thousand as of both June 30, 2023, and June 30, 2022.

For a comprehensive overview of transactions involving related parties, please refer to section 9, "Transactions with Related Parties."

8.6 Other operating costs

The following table provides a breakdown of other operating expenses for the periods ended 30 June 2023 and 2022.

(In Euro)	30.06.2023	30.06.2022
Costs relating to leases, rentals and licences	145,648	72,134
Taxes and duties	33,179	4,701
Association fees and charity	6,668	8,135
End-of-mandate indemnity for Directors	10,000	10,000
Other minor	5,665	2,755
Other operating costs	**201,160**	**97,725**

The item "Other Operating Costs," amounting to Euro 201 thousand, is primarily composed of the following items:

- Lease expenses for Euro 146 thousand (Euro 72 thousand as of 30 June 2022), including software licensing fees and fees related to leases falling within exemptions to the scope of IFRS 16 (short-term leases and leases of low-value assets).
- Taxes and duties for Euro 33 thousand, increased by Euro 28 thousand compared to the previous period due to the recognition of stamp duty on deposit bank accounts and waste disposal tax.
- Association fees and charity for Euro 7 thousand (Euro 8 thousand as of 30 June 2022).
- End-of-mandate indemnity for Directors amounting to Euro 10 thousand.

For a summary of transactions with related parties, please refer to paragraph 9, "Transactions with Related Parties."

8.7 Write-downs of net financial assets

Write-downs of net financial assets, amounting to Euro 33 thousand and Euro 20 thousand respectively as of 30 June 2023 and 30 June 2022, pertain to the allocation to the impairment reserve for trade receivables. Below is the detailed statement concerning the periods ended on 30 June 2023 and 2022.

(In Euro)	30.06.2023	30.06.2022
Provisions and write-downs of receivables current assets	32,989	19,930
Write-downs of net financial assets	**32,989**	**19,930**

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.
For more details, please refer to the "Main risks and uncertainties" section of the Interim Directors’ Report on Operations.

8.8 Amortisation and Depreciation and write-downs

The following table provides the detailed breakdown of amortisation and depreciation and write-downs for the periods ending on June 30, 2023, and June 30, 2022.

(In Euro)	30.06.2023	30.06.2022
Amortisation and write-downs of intangible assets	137,549	75,989
Amortisation and write-downs of tangible assets	432,124	279,826
Amortisation and write-downs of right-of-use assets	99,116	82,374
Amortisation and Depreciation and write-downs	**668,789**	**438,189**

The amortisation and depreciation, totaling Euro 669 thousand as of June 30, 2023, have increased by Euro 231 thousand compared to the previous period. The trend in depreciation is related to the significant investments made by the Group.

8.9 Financial income and expenses

The following table presents the detailed breakdown of financial income for the periods ended on June 30, 2023, and June 30, 2022.

(in Euro)	30.06.2023	30.06.2022
Interest receivable	98,668	0
Net foreign currency profits	291,240	210,471
Income from derivative contracts	0	9,400
Revaluation of financial investments	62,605	0
Other financial income	0	70
Financial income	**452,512**	**219,941**

The Financial Income item is recorded as Euro 453 thousand as of June 30, 2023, showing a significant increase of Euro 233 thousand compared to June 30, 2022. This rise is primarily due to the increase in active bank interest of Euro 99 thousand, the growth of net gains on currency exchange by Euro 81 thousand during the observed period, and the increase in the revaluation of investments in financial assets following the fair value adjustment as of June 30, 2023, which was absent in the previous period.

The following table presents the detailed breakdown of financial expenses for the periods ended on June 30, 2023, and June 30, 2022.

(In Euro)	**30.06.2023**	**30.06.2022**
Interest on bonds loans or loans	11,797	64,003
Bank interest	1,320	1,666
Net foreign currency losses	316,252	30,055
Interest on lease liabilities	35,961	19,851
Interest on the discount of benefit schemes	14,652	4,221
Capital losses on financial investments	376	0
Write-down of financial investments	0	114,827
Expenses for derivative contracts	0	5,506
Other financial expenses	0	5
Financial expenses	**380,359**	**240,135**

As of June 30, 2023, financial expenses show an increase of Euro 140 thousand. This variation is primarily attributable to the combined effect of the following factors:

i) an increase in net losses on currency exchange of Euro 286 thousand, resulting from fluctuations in exchange rates between the Euro and the US Dollar.
ii) a reduction in the write-down of investments in financial assets, which was nil as at 30 June 2023 as a result of the revaluation of these investments during the period, as described above.

8.10 Income taxes

The following table provides the detailed breakdown of income taxes for the periods ended on June 30, 2023, and 2022.

(In Euro)	**30.06.2023**	**30.06.2022**
Current taxes	0	(739,365)
Deferred taxes	67,131	(10,753)
Taxes relating to previous financial years	0	(62,511)
Income taxes	**67,131**	**(812,629)**

As of 30th June 2023, income taxes are primarily comprised of deferred taxes, which are mainly attributable to the tax effect related to the assessment of the investment in PV Labs using the Equity Method, and to temporary differences arising from the recognition of gains and losses resulting from currency valuation and the calculation of the TFR remeasurement in accordance with IAS 19.

8.11 Earnings per share (EPS)

The following table presents the detailed breakdown of earnings per share for the periods ended on June 30, 2023, and 2022.

(In unit thousands)	**30.06.2023**	**30.06.2022**
Net Result	(974)	2,034
Weighted average number of shares entitled to profits	30,760	30,760

Basic earnings (loss) per share	**(0.03)**	**0.07**
Diluted earnings (loss) per share	**(0.03)**	**0.07**

As of June 30, 2023, the basic earnings (loss) per share is the same as the diluted earnings (loss) per share as there are no dilutive elements.

9. Transactions with related parties

The transactions carried out with related parties, identified based on the criteria defined by IAS 24, are primarily of a commercial and financial nature and are conducted under normal market conditions. The following statements provide the details of the financial and equity relationships with related parties that occurred during the first half of 2023.

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 Systems UK Ltd and Strategic Consultant
Mario Damiani	Member of the Board of Directors of Civitanavi Systems S.p.A. and Strategic Consultant
Civitanavi Systems Ltd	Major shareholder of Civitanavi Systems S.p.A.
PV Labs	Affiliated Company in which the Group holds 30% of the share capital.
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 following table summarises the Group's economic transactions with related parties as at 30 June 2023:

RELATED PARTIES *(in Euro thousands)*	Acutronic Switzerland	Alan Kaile	Damiani	Civitanavi Systems LTD	PV-Labs	Directors and Executives with Strategic Responsibilities	Spouse of the Chairman of the BoD and CEO in office	Total	Total item of the financial statements	Effect on the item of the financial statements
Investments in subsidiaries and other financial assets										
as at 30 June 2023					2,109			2,109	2,159	98%
Inventories										
as at 30 June 2023					1,073			1,073	13,813	8%
Other receivables and current assets										
as at 30 June 2023	80			134				214	4,569	5%
Defined benefit schemes										
as at 30 June 2023						74	24	98	950	10%
Trade payables										
as at 30 June 2023		23	28					51	7,314	1%
Other current payables and liabilities										
as at 30 June 2023						70	9	79	4,001	2%

The following table summarizes the economic relations of the Group with related parties during the first half of 2023:

RELATED PARTIES *(in Euro thousands)*	Acutronic Switzerland	Alan Kaile	Damiani	Civitanavi Systems LTD	PV-Labs	Directors and Executives with Strategic Responsibilities	Spouse of the Chairman of the BoD and CEO in office	Total	Total item of the financial statements	Effect on the item of the financial statements
Service costs										
as at 30 June 2023		33	33			249		315	3,245	10%
Personnel costs										
as at 30 June 2023						126	36	161	7,709	2%
Other operating costs										
as at 30 June 2023						10		10	201	5%

The costs and revenues, debts and credits outlined above relate primarily to commercial relationships:

- the transactions with Acutronic Switzerland Ltd are of a commercial nature and are settled in Euros;
- Alan Kaile provides consultancy services for commercial purposes, and the transactions are settled in British Pounds;
- Mario Damiani provides consultancy services for commercial purposes, and the transactions are settled in Euros;
- Civitanavi Systems LTD, towards which a credit has arisen due to the interposition of Civitanavi Systems SpA as a withholding agent in relation to the Stock Option operation. The amount will be paid by Civitanavi Systems Ltd when the Company will have to pay the withholding tax in accordance with law;
- The relationships with PV Labs are both of a commercial and strategic investment nature in the company's capital. The relationships are settled in US Dollars;
- The relationship with Directors and Executives with strategic responsibilities are related to remuneration and end-of-mandate indemnity for directors according to the resolution of the shareholders' meeting; and for Executives with strategic responsibilities according to the employment contract;
- the "Spouse of the Chairman of the Board of Directors and CEO" engages in employment activities.

The financial relationships with related parties as of December 31, 2022, and the economic relationships as of June 30, 2022, are summarised in the following tables:

RELATED PARTIES *(in Euro thousands)*	**Acutronic Switzerland**	**Alan Kaile**	**Damiani**	**Civitanavi Systems UK Ltd**	**Directors and Executives with Strategic Responsibilities**	**Spouse of the Chairman of the BoD and CEO in office**	**Total**	**Total item of the financial statements**	**Effect on the item of the financial statements**
Plant, machinery and equipment									
as at 31 December 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%

RELATED PARTIES *(in Euro thousands)*	**Acutronic Switzerland**	**Alan Kaile**	**Damiani**	**Directors and Executives with Strategic Responsibilities**	**Spouse of the Chairman of the BoD and CEO in office**	**Total**	**Total item of the financial statements**	**Effect on the item of the financial statements**
Other revenues and income								
as at 30 June 2022	2					2	155	1%
Raw material costs and changes of inventories								
as at 30 June 2022	772					772	4.846	16%
Service costs								
as at 30 June 2022		41	33	230		304	2.704	11%
Personnel costs								
as at 30 June 2022				133	33	166	2.586	6%
Other operating costs								
as at 30 June 2022	3					3	98	3%

For detailed explanations, please refer to Note 8 of the 2022 Annual Financial Report.

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

The remuneration due to the Board of Directors as of June 30, 2023, amounts to Euro 248 thousand. The accrued remuneration for the Board of Statutory Auditors as of June 30, 2023, totals Euro 16 thousand.

11. Commitments and risks

The Group has bank guarantees in place to secure commitments undertaken for contractual obligations related to sales agreements, with a total guaranteed amount of US Dollar 2,748 thousand and Euro 14 thousand. Additionally, for supply contracts, the Group has entered into bank guarantees with a total amount of Euro 260 thousand.

12. Russia - Ukraine Conflict

In light of the ongoing crisis between Russia and Ukraine, even though there are no commercial relationships with the Russian Federation, the Group continues to actively monitor the situation to mitigate short- and medium-term effects, as indicated in the latest Annual Financial Report.
Particularly, considering the volatility in energy market prices and the rise in prices of raw materials and products used in its production processes, the Group promptly executed a meticulous planning of its material and component needs, ensuring timely supply conditions and containing inflationary effects, as well as effects stemming from electronic component shortages for the ongoing period.
The actions taken, based on the information currently available, ensure adequate coverage of potential effects, though further price fluctuations could necessitate a revision of prospective scenarios, which the management will continue to closely monitor.
Also, from a sanction compliance perspective, the management, under the ongoing supervision of the Board of Directors and control bodies, has worked to ensure full adherence to restrictions by specially integrating commercial, export, and supplier selection procedures.

13. Significant events subsequent to the reporting period

Please refer to section “Significant events subsequent to the reporting period” in the Interim Directors’ Report of Operations.

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

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

15. Information on agreements not resulting from the balance sheet

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

Pedaso, 21 September 2023

Chairman of the Board of Directors and CEO
Andrea Pizzarulli

Appendix I: Consolidation Scope

List of Companies fully consolidated on a line by line basis (amounts in local currencies)

Name	Registered office	Currency	Share Capital	Net Equity	% Direct Group Ownership
Civitanavi Systems UK Ltd	Bristol (UK)	GBP	1	(55.820)	100%

List of associated Companies accounted with the equity method (amounts in local currencies)

Name	Registered office	Currency	Share Capital	Net Equity	% Direct Group Ownership
PV Labs Ltd	Burlington (Canada)	CAD	3.390.965	823.696	30%

Changes in consolidation scope between 1 January 2023 and 30 June 2023:

- Acquisition of 30% of the share capital of PV Labs Ltd, 5 May 2023

Statement of the Condensed Consolidated Financial Statement as at 30 June 2023 of Manager in charge of Financial Reporting

Attestation of the Condensed Consolidated Half-Year financial statements pursuant to Art. 81ter of CONSOB Regulation 11971 of 14 May 1999, as amended

1. We, the undersigned, Andrea Pizzarulli as Chief Executive Officer and Letizia Galletti as Manager in charge of Financial Reporting of Civitanavi Systems S.p.A., hereby attest, including in accordance with Art. 154-bis (3) and (4) of Legislative Decree no. 58 of 24 February 1998:
   - the adequacy of, in relation to the characteristics of the business and
   - due compliance with the administrative and accounting procedures for the preparation of the Condensed Consolidated half-year financial statements during the period from 1 January to 30 June 2023.
2. We also attest that:

   2.1 the Condensed Consolidated half-year financial statements:

   a) have been prepared in accordance with the applicable International Financial Reporting Standards endorsed by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;

   b) correspond to the ledgers and accounting entries;

   c) provide a true and fair view of the financial position and results of operations of issuer and the companies included in the scope of consolidation.

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

Pedaso, 21 September 2023

Ing. Andrea Pizzarulli	Dott.ssa Letizia Galletti
CEO	Manager in charge of Financial reporting

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

Independent Auditors' report on condensed consolidated financial statements as of June 30, 2023

Civitanavi Systems S.p.A.

Review report on consolidated condensed interim financial statements as of June 30, 2023

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

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Review report on consolidated condensed interim financial statements

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

Introduction

We have reviewed the accompanying consolidated condensed interim financial statements of Civitanavi Systems S.p.A. and its subsidiaries ("Civitanavi Systems Group") as of June 30, 2023, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flow and related explanatory notes. Management is responsible for the preparation of this consolidated condensed interim financial statements in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed interim financial reporting based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of Civitanavi Systems Group as of June 30, 2023, are not prepared, in all material respects, in accordance with the International Financial Accounting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, September 21, 2023

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

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