

Civitanavi Systems S.p.A.

Annual Financial Report as at 31 December 2023



Disclaimer: 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.



TABLE OF CONTENTS

Company Data and Governance	3
Letter to Shareholders.....	4
Directors' Report on Operations.....	5
Consolidated Financial statements at 31 December 2023 Civitanavi Group	26
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2023	30
Appendix I: Consolidation Scope	66
Statement of the Manager in charge for financial reporting	67
Independent Auditors' report on consolidated financial statements as at 31 December 2023.....	68
Financial Statement as at 31 December 2023 of Civitanavi Systems S.p.A.....	69
NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2023	73
Statement of the Manager in charge for financial reporting	98
Independent Auditors' report on separate financial statements as at 31 December 2023.....	99
Report of the Statutory Auditors to the Shareholders meeting	100



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 Directors' Report on Operations, Consolidated Financial Statements and Financial Statements of the Parent Company, 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 euro.



Letter to Shareholders

Dear Civitanavi Friends,

I am pleased to share with you an update on the recent developments and achievements of Civitanavi Systems. In 2023, we witnessed a year marked by the consequences of wars, geopolitical rivalries, and the fight against inflation. However, by managing short-term uncertainty, we have strengthened ourselves by seizing commercial opportunities and forging long-term alliances in sectors where we can make a difference.

Excellent results have been achieved in all areas of business. They reflect our constant focus on operational excellence, careful cost management, continuous innovation, and the creation of strategic alliances. These factors have contributed to the significant development of the Group, maintaining significant levels of profitability and cash generation, confirming expectations at the top of the Guidance range communicated to the market during the approval of the 2023 Budget.

Civitanavi, through continuous investments in innovation and the pursuit of new solutions, has reached important milestones. This year, we have not overlooked any aspect, growing in size through new strategic openings in the domestic and international markets. In Italy, with the new headquarters in Turin, we have strengthened the design and development of GNSS (Global Navigation Satellite System) algorithms and technologies, thanks to a working group with decades of experience in satellite navigation. In the United Kingdom, the new facility will provide British and international customers with long-awaited capacity and suitably qualified and experienced personnel specialized in high-level inertial and GNSS systems, using FOG (Fibre Optic Gyro) and MEMS (Micro Electro-Mechanical Systems) technology, prioritized for the company, integrated with advanced next-generation fusion algorithms.

Our team has also grown. 185 individuals make Civitanavi stronger and better positioned in a rapidly evolving world. Our people, characterised by dedication and determination, employ their skills and experiences to contribute to our ambitious strategic agenda.

People-centricity has always been a core value for our company, and at the beginning of 2023, we adopted a corporate welfare system to promote the well-being of our employees. We have signed a collective policy with a leading Italian bank aimed at protecting employees from the economic consequences that may arise from serious illnesses. To strengthen the sense of teamwork, in February 2023, Civitanavi Systems Ltd, the majority shareholder, modified the stock option rights granted to employees. Exercising the Stock Option plan resulted in obtaining shares of Civitanavi Systems S.p.A., in line with our commitment to involve employees in the company's success. Furthermore, Civitanavi Systems S.p.A. has implemented a new stock option plan for 2023, aligning incentives with strategic business objectives. In the third quarter of 2023, the company secured two financing contracts totaling €5 million, one of which includes compliance with ESG-related covenants that can provide the Group with a reduction in the spread. These funds will be supporting ongoing projects such as the restructuring of the new headquarters in Porto Sant'Elpidio, which will be operational from the second quarter of 2024.

We navigated through 2023 with the accelerator down, seizing opportunities both in terms of organic growth and through M&A. In the second quarter, we signed an agreement to acquire 30% of the capital of PVLabs, a company based in Canada, a leader in the design and production of gyro-stabilized gimbals and advanced ISR&T (Intelligence Surveillance Reconnaissance and Targeting) imaging systems, with whom we began collaborating to strengthen technological know-how and product development, further enhancing our position in this market.

Also, in the first part of the year, Civitanavi Systems announced participation in the "Aurora" project, a key initiative for the creation of an Italian ecosystem for Advanced Air Mobility (AAM). In collaboration with ENAC and industrial partners, we focus on enabling technological factors for future AAM operations, ensuring robust Positioning, Navigation, and Timing (PNT) services for urban, suburban, and interurban air transport.

Among the most significant partnerships is certainly the collaboration with Honeywell, with whom we launched the HG2800 inertial measurement unit, contributing to improving targeting capabilities and stabilization accuracy. This tactical-level system enhances accuracy in electro-optical surveillance applications worldwide.

In the latter part of the year, we signed a Memorandum of Understanding (MoU) with Hanwha Systems to collaborate on inertial navigation systems and GNSS products. This partnership allows us to explore development opportunities in the aerospace and defense sectors, focusing on innovation and next-generation technologies.

Our commitment has not overlooked ESG aspects, and we are proud of the path we are taking through environmental goals, energy transition, adoption of renewable energy sources, and social initiatives such as employee development plans, diversity, inclusion, and community engagement.

Finally, this year we will distribute dividends of €4 million (€0.13 per share) compared to an available profit for distribution of €5 million (€1 million allocated to extraordinary reserves), the result of the cash-generating ability derived from the core business activity.

All these developments demonstrate the Group's constant commitment to innovation, sustainability, and creating value for its stakeholders. I thank you for your trust and support, which allow us to continue facing these exciting opportunities and new challenges.

Chairman of the Board of Directors and Chief Executive Officer
Andrea Pizzarulli



Directors' Report on Operations

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

Pursuant to Article 40, paragraph 2-bis of Legislative Decree no. 127/1991, this report is presented in a single document for the purposes of the consolidated financial statements of the Civitanavi Systems Group and the annual financial statements of the parent company Civitanavi Systems S.p.A., prepared in accordance with International Financial Reporting Standards ("EU-IFRS").

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

Group structure

As at 31 December 2023 Civitanavi Groups includes Civitanavi Systems S.p.A. (hereinafter addressed also as "Civitanavi" or "Parent Company" or "Company"), its subsidiary Civitanavi Systems UK Ltd (hereinafter "Civitanavi UK" or "Subsidiary") and its associate company PV Labs Ltd.

Economic environment situation

Civitanavi Systems operates in a predominantly international market, and the economic context in the field of sensor technology and inertial navigation is growing.

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

As the Group has ITAR-FREE (International Traffic in Arms Regulations from USA State Department) technology at its disposal, the focus on business development activities remains oriented towards customers with ITAR-FREE or USA content free requirements. Such technology results in any case competitive even on the U.S. market and through business partnerships such as the one undertaken with Honeywell, Civitanavi Systems points to strengthen the international market and in particular to access to the U.S. market.

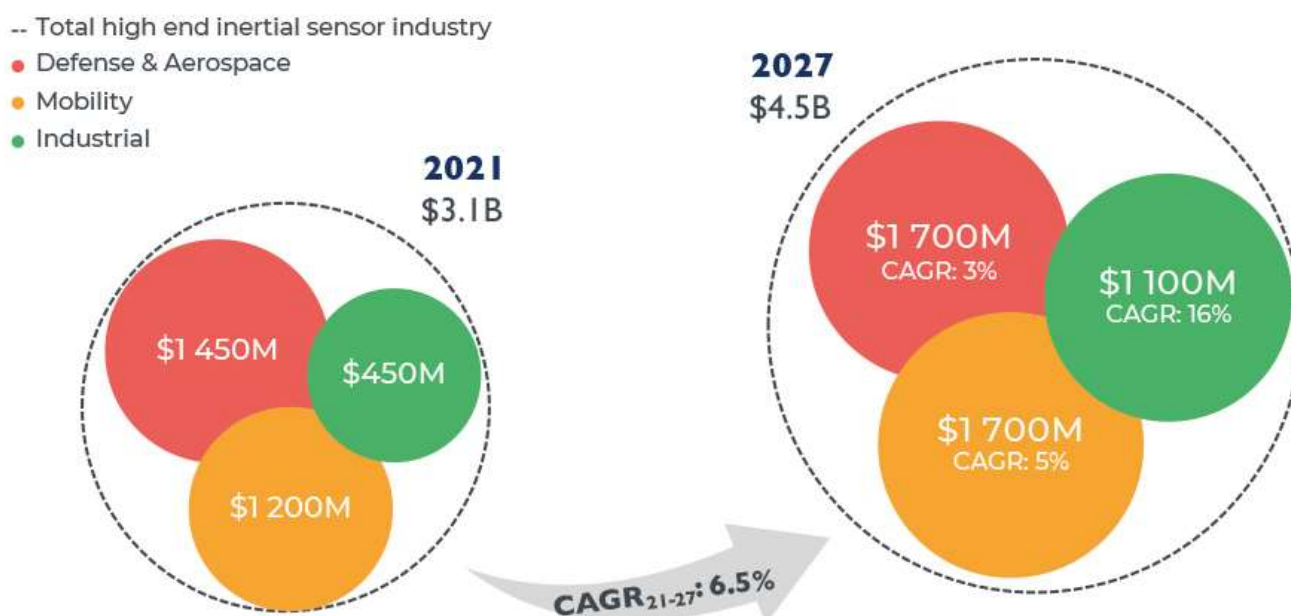
High-end inertial sensors cover many markets. They are used as simple single-axis and low-cost configurations in industrial applications or highly integrated multi-axis applications as inertial measurement units (IMUs), attitude and heading reference systems (AHRS), and high-performance, high-cost inertial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

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



2021-2027 high-end inertial sensor market forecast

(Source: High-End Inertial Sensing 2022, Yole Intelligence, June 2022)



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

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

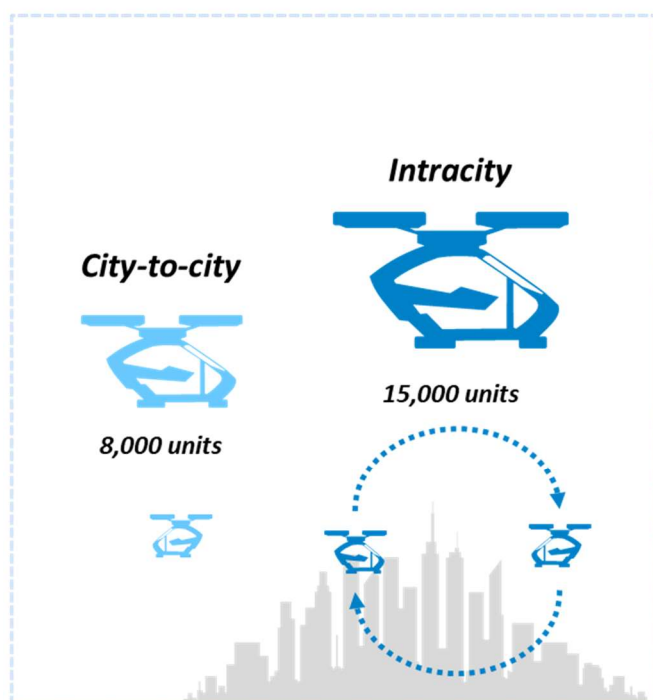
- 1) a better balance of size, weight and power and cost (SWaP-C - Size Weight and Power-Cost) mainly on MEMS and PIC (Photonic Integrated Circuit) technology;
- 2) A-PNT (Assured Position Navigation and Timing) to ensure navigation and time reference even in the absence of GNSS. In this latter case, high-performance inertial sensors (but not necessarily better SWaP-C) remain the best choice as they guarantee higher accuracies in the absence of satellite navigation.

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

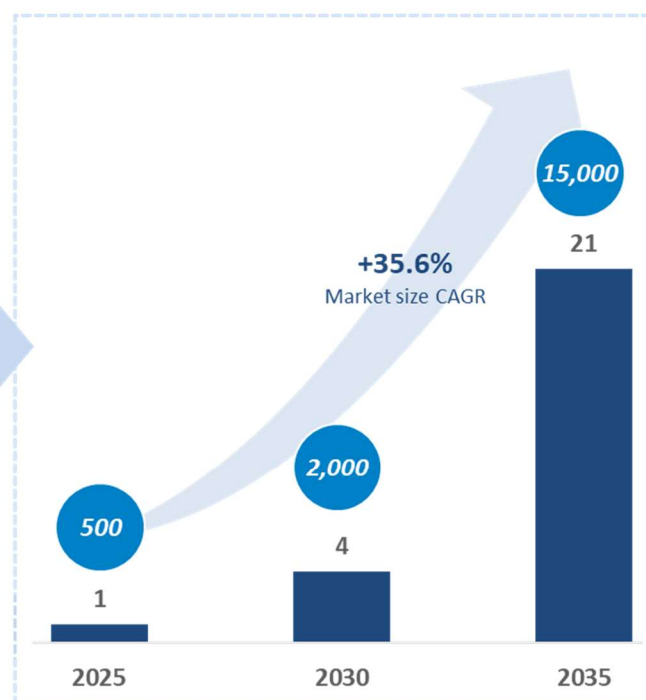
Civitanavi is developing in this sector (and for that of drones in general) is developing a highly integrated system that not only provides navigation (inertial and satellite) but also includes stabilization (Flight Control Computer) and aircraft management (Vehicle Management System) capabilities.

**Snapshot of eVTOL⁽²⁾ market in 2035⁽³⁾**

Visualising high volume commercialisation

**Forecasted intracity eVTOL market growth⁽²⁾**

■ Market size in \$bn ● Number of eVTOL aircrafts



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

Group performance and analysis of the results of the financial year ended 31 December 2023

Civitanavi Systems, 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 activities, 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 Pomezia (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 Pomezia, Casoria and Turin sites, which are located in an area particularly dedicated to the development of activities in the aero-space field, the Group carries out design activities complementary to those performed at the main office. In addition, commercial activities focused on operators in the Rome area are carried out at the Pomezia (RM) location. 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



Directors' Report on Operations as at 31 December 2023

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 four 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 at 31 December 2023 the subsidiary has accounted for operating revenues for the amount of 172 thousand Euro, following the activities on the contracts on orders with customers started during the last quarter 2023, and has accounted for expenses mainly related to personnel and services. Therefore, starting from 2023 Civitanavi Systems S.p.A. prepares the Group's consolidated financial statements.

Key Highlights

Data referred to the Separate Financial Statements of Civitanavi Systems S.p.A.¹

<i>(In Euro thousands)</i>	31 December 2023	31 December 2022	Delta	Delta %
Operating revenues	44,869	34,132	10,737	31.5%
Total Revenues Adjusted	45,905	34,412	11,493	33.4%
Total Revenues	46,046	34,412	11,634	33.8%
EBITDA Adjusted	13,429	9,948	3,481	35.0%
EBITDA Adjusted Margin	29.3%	28.9%		0.3 p.p.
EBITDA	8,482	9,059	(577)	(6.4%)
EBITDA Margin	18.4%	26.3%		(7.9) p.p.
EBIT Adjusted	11,727	8,873	2,855	32.2%
EBIT Adjusted margin	25.5%	25.8%		(0.2) p.p.
EBIT	6,702	7,984	(1,282)	(16.1%)
EBIT Margin	14.6%	23.2%		(8.6) p.p.
Net PROFIT for the year Adjusted	8,798	7,864	934	11.9%
Net PROFIT for the year	5,164	6,975	(1,811)	(26.0%)

<i>(In Euro thousands)</i>	31 December 2023	31 December 2022	Delta	Delta %
Net Trade Working Capital	14,792	12,095	2,697	22.3%
Net Trade Working Capital over Total Revenues Adjusted	32.2%	35.1%		(2.9) p.p.
Net Debt	(22,602)	(24,522)	1,920	(7.8%)
Free cash Flow	(1,920)	27,375	(29,295)	(107.0%)
Free cash Flow <i>Normalised</i>	4,348	6,066	(1,718)	(28.3%)

The Company achieved in 2023 Total Revenues and Adjusted Ebitda at the top of the Guidance range communicated to the market at the time of Budget 2023 approval (22 December 2022).




The company recorded Total Adjusted Revenues as of 31 December 2023 equal to 45,905 thousand Euro, up to 33% compared to 31 December 2022, placing it at the top of the *Guidance* range of Euro 42M - Euro 46M. In addition, Adjusted EBITDA for 2023 amounted to 13,429 thousand Euro, up 35% compared to 9,948 thousand Euro as of 31 December 2022. The percentage of Adjusted EBITDA on total revenues increased both compared to 2022, from 28.9% to 29.3% as of 31 December 2023, and compared to the *Guidance* of 29%.

The table below shows the results achieved compared to the *Guidance*:

¹ Please refer to the "Alternative Performance Measures (APM)" section of the Directors' Report on Operations for the definition of the indices and "Foreseeable evolution of business performance, "Booking" and "Backlog" of Directors' Report on Operations.



Directors' Report on Operations as at 31 December 2023

<i>in Euro millions</i>	31 December 2023	Guidance Civitanavi Systems S.p.A.	Analysis of results
Total Revenues Adjusted	45,9	42,0 – 46,0	at the top of the range 
Ebitda Adjusted	13,4	12,2 – 13,3	above the range 
Ebitda Adjusted margin	29.3%	29%	above the range 

In a nutshell, the total adjusted revenues have reached the maximum value within the range forecasted in the Guidance, while the Adjusted EBITDA has exceeded the upper limit of the Guidance range.

Data referred to the Consolidated Financial Statements of Civitanavi Group²

<i>in Euro thousands</i>	31 December 2023	31 December 2022	Delta	Delta %
Operating Revenues	45,041	34,132	10,909	32.0%
Total Revenues Adjusted	46,010	34,412	11,598	33.7%
Total Revenues	46,151	34,412	11,739	34.1%
EBITDA Adjusted	13,107	9,948	3,159	31.8%
EBITDA Adjusted Margin	28.5%	28.9%		(0.4) p.p.
EBITDA	8,154	9,059	(905)	(10.0%)
EBITDA Margin	17.7%	26.3%		(8.6) p.p.
EBIT Adjusted	11,347	8,873	2,474	27.9%
EBIT Adjusted margin	24.7%	25.8%		(1.1) p.p.
EBIT	6,316	7,984	(1,668)	(20.9%)
EBIT Margin	13.7%	23.2%		(9.5) p.p.
Net PROFIT for the year Adjusted	8,010	7,864	146	1.9%
Net PROFIT for the year	4,372	6,975	(2,603)	(37.3%)

<i>in Euro thousands</i>	31 December 2023	31 December 2022	Delta	Delta %
Net Trade Working Capital	14,816	12,095	2,721	22.5%
Net Trade Working Capital over Total Revenues Adjusted	32.2%	35.1%		(2.9) p.p.
Net Debt	(22,516)	(24,522)	2,006	(8.2%)
Free cash Flow	(2,006)	27,375	(29,381)	(107.3%)
Free cash Flow <i>Normalised</i>	4,262	6,066	(1,803)	(29.7%)

<i>in Euro thousands</i>	31 December 2023	31 December 2022	Delta	Delta %
Booking	47,468	40,989	6,479	15.8%
Book to bill	1.03x	1.20x		(0.17x)

<i>in Euro millions</i>	31 December 2023	31 December 2022	Delta	Delta %
Backlog	30.1	24.3	5.8	23.9%

The Group achieved total Adjusted Revenues equal to 46,010 thousand Euro, up 34% compared to 2022.

The 2023 results confirm the Group's significant and growing development trend, maintaining relevant levels of profitability, net income and cash generation.

Growth is driven by:

- (i) the excellent performance of the order backlog, which is constantly increasing, up 16% compared to the end of the previous year, which reached a total "booking" of Euro 47.5 million with the Book to Bill equal to 1.03x;
- (ii) a growing Backlog, of Euro 30.1 million, up 24% compared to 31 December 2022.

The Group recorded an Adjusted EBITDA of EUR 13.1 million, up 32% compared to 2022, and an Adjusted EBITDA Margin of 28.5%.

The British subsidiary, in the start-up phase, contributed with a residual amount to the revenues (172 thousand Euro), which are essentially attributable to Civitanavi Systems S.p.A., while in terms of profitability Civitanavi Systems UK contributed with a negative EBITDA and an impact on the group Ebitda Adjusted margin for -0.8%.

Profitability was also impacted by the following factors:

² Please refer to the "Alternative Performance Measures (APM)" section of the Directors' Report on Operations for the definition of the indices and "Foreseeable evolution of business performance, "Booking" and "Backlog" of Directors' Report on Operations.



Directors' Report on Operations as at 31 December 2023

- (i) a positive effect on margins from the sale of *navigation system kits*³ (sets of components that are assembled by the customer who will pay a royalty to the Group) up from 2022;
- (ii) a positive margin not reflected in the current 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 recognised 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.

It should be noted that the profitability targets were also achieved thanks to the final accounting of revenues for engineering services, which as of December 31, 2023 showed a strong increase compared to the half-year closure in which a decrease of 56% (incidence increased from 8% HY23 to 16% YE23 on total revenues), although a decrease compared to 2022. Specifically, the 2023 sales planning projected a slowdown in revenues for engineering services in the first half of the year and a realignment in the second half of the year.

As of 31 December 2023, the Group generated a Free Cash Flow Adjusted of a total of 4,262 thousand Euro, compared to 6,066 thousand Euro as of 31 December 2022. In 2023 Cash generation from ordinary activities was excellent, taking into account the performance of inventories (related to the growth in revenues by products and to cope with delivery needs) and the investments growth in tangible and intangible fixed assets mainly related to the renovation and development of the Porto Sant'Elpidio building, the company's future headquarters.

The Board of Directors of **Civitanavi Systems S.p.A.** resolves to propose to the Shareholders' Meeting the payment of a dividend, for the financial year 2023, of EUR 0.13 per share, equal to approximately EUR 4.0 million, corresponding to a pay-out of approximately 77% of the Company's net profit, the result of the ability to generate cash deriving from core activities.

In the following table we summarise operating revenues separated by revenue stream for the period closed on 31 December 2023 and on 31 December 2022:

<i>(In Euro thousands)</i>	2023	Inc %	2022	Inc %	Change	Change%
<u>Revenues from sale of goods</u>	34,879	80%	23,678	72%	11,201	47%
<u>Revenues from service</u>	1,045	2%	746	2%	299	40%
<u>Revenues from royalties</u>	922	2%	860	3%	61	7%
Revenues from engineering services	2,497		1,869			
Change in Assets for work in progress on order	4,492		5,874			
<u>Revenues from engineering services and Change in Assets for work in progress on order⁴</u>	6,989	16%	7,743	23%	(754)	(10%)
Total Operating revenues net of the change in FP/SFP inventories	43,834	100%	33,027	100%	10,807	33%
Change in inventories of finished and semi-finished Products	1,207		1,105		102	9%
Total Operating revenues	45,041		34,132		10,910	32%

Revenues from sale of goods are up 47% over 2022 and account for 80% of turnover. Revenues from service are up 40%, while royalties show a slight growth of 7%.

Revenues from engineering services are slightly down from 2022 but up sharply from the half-yearly closing 2023 in which a decrease of 56% emerged (incidence increased from 8% HY23 to 16% YE23). Specifically, the 2023 sales planning projected a slowdown in revenues for engineering services in the first half of the year and a realignment in the second half of the year.

With reference to the business divisions in which the Company operates, the table below shows the figures achieved in 2023 compared to the previous year.

³ 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.

⁴ It should be noted that "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.



Directors' Report on Operations as at 31 December 2023

<i>in Euro thousands</i>	2023	% of total 2023	2022	% of total 2022	Change%
Aeronautics	5,003	11%	6,598	20%	(24%)
Land defence	3,458	8%	1,342	4%	158%
Space	11,448	26%	7,743	24%	48%
Other (Naval, Submarine, Guidance)	15,857	36%	10,632	32%	49%
Total Aerospace and Defense	35,767	82%	26,315	80%	36%
Industrial	7,424	17%	5,953	18%	25%
Other	643	1%	758	2%	(15%)
Operating revenues net of change in FP/SFP inventories	43,834	100%	33,027	100%	33%
Change in FP and SFP inventories	1,207		1,105		9%
Operating Revenues	45,041		34,132		32%

The Group posted a solid performance in all business divisions, confirming a significant portion of the Aerospace and Defence sector (82% of the total) and at the same time a constant presence in the Industrial division (17% of the total). The growth path is confirmed by a remarkable development in the various sectors of its business both in the A&D division (+36%) and in the Industrial division (+25%), which in the previous year was in decline.

With reference to geographical area, the table below shows the data achieved in 2023 compared with the previous year.

<i>in Euro thousands</i>	2023	% of total 2023	2022	% of total 2022	Change%
Italy	5,299	12%	4,355	13%	22%
EMEA (except Italy)	33,177	76%	22,604	68%	47%
APAC	4,185	10%	4,251	13%	(2%)
North America	1,173	3%	1,816	6%	(35%)
Rest of the World	0	0%	0	0%	n.a.
Operating revenues net of change in inventories	43,834	100%	33,027	100%	33%
Change in inventories of finished and semi-finished Products	1,207		1,105		9%
Operating revenues	45,041		34,132		32%

Consolidated operating revenues are equal to 45,041 thousand Euro for the year ended 31 December 2023 up 32% compared to 2022. During the year, the Group strengthened its presence in the main international markets, ensuring the geographical diversification of its customer portfolio.

In Italy, revenues amounted to 5,299 thousand Euro, up 22% compared to 4,355 thousand Euro in 2022, essentially due to the dynamics of the reference orders. The domestic market remains strategic, while maintaining the international market as a reference.

In the EMEA area (excluding Italy), revenues amounted to 33,177 thousand Euro, showing sustained growth (+47%), compared to 22,046 thousand Euro last year. The increase was driven by both the Aerospace & Defense and Industrial division.

The APAC market generated revenues of 4,185 thousand Euro, substantially stable compared to 4,251 thousand Euro at 31 December 2022.

The North American market accounted operating revenues for the amount of 1.173 thousand Euro, decreasing by 35% compared to 2022 mainly due to the sharing of development costs for the product made for Honeywell. In fact, during 2023, the company 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 or Israel.

Significant event of the year

Civitanavi Systems continues its development path and strengthens corporate welfare

In January 2023, the Group entered into a collective insurance policy with Intesa Sanpaolo aimed at safeguarding employees from the economic consequences that may arise following the onset of serious illnesses. With this decision, Civitanavi Systems reaffirms the centrality of people and the importance of a corporate welfare system that promotes the well-being of its collaborators. The company's leadership has indeed decided to provide concrete support to all employees, distributed among the headquarters in Pedaso (FM) and branches in Pomezia (RM), Casoria (NA), and Turin, guaranteeing them financial support



and coverage for specialized medical visits and check-ups. This is made possible through welfare solutions offered by Intesa Sanpaolo, which provide assistance in dealing with moments of particular need related to the onset of serious illnesses and share 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 agreement was finalised on 5 May 2023 on the announced terms. More details can be found in Note 7.4 in the notes to the 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 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 program

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 programs 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 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 the Remuneration and Nomination Committee and the Risk Control, Related Party Transactions, and Sustainability Committee and adopts an organizational, management, and control model pursuant to Legislative Decree no. 231/2001. The Code of Ethics, which is an integral part of the Model 231, defines the general ethical values and principles to which the Company adheres. The projected growth has allowed achieving a distributed economic value amounting to 75%, allocated to suppliers as well as to employees residing in the territory. Furthermore, Civitanavi is committed to pursuing technological innovation in its products and services, to which approximately 5% of total revenues have been allocated, with the intention of generating economic development and a positive impact on environmental and social aspects for the local community and expanding, in the long term, the number of innovative projects and research collaborations with schools, universities, and national and international research centers.

The Sustainability Report 2023 will be published in May 2024.

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 utilise Honeywell and Civitanavi Systems' technologies to help to enhance point-targeting capabilities and stabilisation accuracy, and to improve measurement precision and dependable



Directors' Report on Operations as at 31 December 2023

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.

New Stock Option Plan 2023

During the fourth quarter of 2023, the Board of Directors of Civitanavi Systems S.p.A. granted share options under the compensation plan based on the awarding of Civitanavi Systems S.p.A. ordinary shares submitted for approval to the shareholders' meeting on April 27, 2023. The options were granted to selected directors, including non-executive directors, executives and employees of Civitanavi and/or its Subsidiaries, who hold positions deemed strategically relevant to the Company's business or otherwise capable of making a significant contribution in light of the pursuit of the strategic objectives of Civitanavi and its Subsidiaries and/or otherwise deemed worthy of being the recipients of forms of incentive based on the unquestionable and discretionary judgment of the Board of Directors, after consultation with the Compensation Committee. The plan will run for three years until April 27, 2026, at the end of which the options may be exercised in three tranches of equal amounts in the period between the 30th and 60th day after the date of approval of each of the Company's first three financial statements following the Vesting Date.

Significant events subsequent to the end of the fiscal year

There are no significant events after the end of the fiscal year to report.

Outlook, Booking, and Hard Backlog

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

In 2024, revenue volumes are expected to grow, supported by the development of backlog activities on programs and a good flow of new orders. Profitability is also confirmed at excellent levels thanks to initiatives to optimize industrial processes and improve the competitiveness of main products.

The Group is actively pursuing the strategic objectives defined at the IPO including the intention to grow in the medium term by external lines through the acquisition of Italian or foreign companies in order to: (i) acquire skills in line with the technological roadmap in order to speed up innovation programs and (ii) gain access to new markets and/or new customers in order to increase product offerings to supplement or complement its own offerings.

Booking

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

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

<i>in Euro millions</i>	2019	2020	2021	2022	2023
Booking	13.5	18.1	29.8	41.0	47.5
% of Total Revenues	78%	95%	119%	120%	103%

The trend over the years shows a significant growth of orders that is more than proportional compared to the Total Revenues of the reference year. Booking for 2023 results in Euro 47.5 million, confirming for a further period the record in terms of orders acquired during an annuity. "Book to Bill" growing (% of Total Revenues), compared to the growth of Revenues, represents the main indicator of positive evolution of the business and the Company's ability to "convert" the Booking (Orders) into Revenues.



Directors' Report on Operations as at 31 December 2023

Booking as of the date of preparation of this document (14 March 2024) is equal to Euro 2.6 million.

Hard Backlog

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

As of 31 December 2023, the countervalue of the “Hard Backlog”, i.e., contracts and product purchase orders already formalised between the Company and its customers, net of the value of revenues already recorded as of the same date (subject to assumptions of reduction, suspension or termination), amounted to a total amount of Eur 30.1 million (Eur 24.3 million as of 31 December 2022), up +24% compared to 2022. This Backlog mainly refers to the “Aerospace and Defense” division since the “Industrial” division has a short-term lead time and is realised, on average, within three months after the order is signed.

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

The business divisions in which the Company mainly operates are usually characterised by a marked concentration of deliveries in the last few months of the fiscal year and the related flow of collections from customers in the first part of the following year. This aspect of receipts has an effect on the variability of year-end cash flows, which are characterised by substantial improvements in interim closures. It should be noted that during 2023, the monthly revenue trend, for sales of goods, was more stable and consequently the trend of collections benefited.

Analysis of consolidated 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 31 December 2023 compared with 31 December 2022.

Analysis of reclassified consolidated economic data

<i>(in Euro thousands and as percentage of Total Revenues)</i>	2023	%	2022	%
Operating revenues	45,041	98%	34,132	99%
Other revenues and income	1,110	2%	280	1%
Total revenues	46,151	100%	34,412	100%
Raw material costs and change in inventories	19,057	41%	14,072	41%
Service costs	6,672	14%	5,503	16%
Personnel cost	11,877	26%	5,537	16%
Other operating costs	391	1%	242	1%
Total operating costs	37,997	82%	25,353	74%
Operating result before amortisation and depreciation and write-downs (EBITDA)	8,154	18%	9,059	26%
Write-downs of net financial assets	42	0%	56	0%
Amortisation and Depreciation and write-downs	1,795	4%	1,019	3%
Operating Profit (EBIT)	6,316	14%	7,984	23%
Financial income	754	2%	383	1%
Financial expenses	(612)	(1%)	(428)	(1%)
Share of profits/(losses) of equity-accounted associates	(538)	(1%)	0	0%
Profit (Loss) before taxes	5,919	13%	7,939	23%
Income taxes	(1,548)	(3%)	(964)	(3%)
PROFIT / (LOSS) FOR THE YEAR	4,372	9%	6,975	20%
Other Profits/(Losses) in the Comprehensive Income Statement, net of tax effect	4,372	9%	6,975	20%
Actuarial profits (losses) for defined benefit schemes	(59)	(0%)	183	1%
Profit/(loss) on the effective portion of cash flow hedge instruments	118	0,3%	(61)	(0.2%)
Translation difference	(0)	(0,0%)	0	0%
Current portion of “Other comprehensive income (expense)”, equity-accounted associates	(17)	(0,0%)	0	0%
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR	4,414	10%	7,097	21%

The Group closes fiscal year 2023 with profit after tax of 4,372 thousand Euro, with an excellent performance in terms of profitability and growth, taking into account the significant impact of non-recurring components, as indicated in the section “Alternative Performance Indicators (APIs)” to which we refer for more details.

Total revenues amounted to 46,151 thousand Euro, at the top of the Guidance range communicated to the market for the current fiscal year. EBITDA amounted to 8,154 thousand Euro, compared with 9,059 thousand Euro as of 31 December 2022. There is



Directors' Report on Operations as at 31 December 2023

an increase in the incidence in personnel costs mainly due to the recognition of non-recurring costs amounting to 4,450 thousand Euro for the stock option plan of the majority shareholder Civitanavi Systems Ltd exercised during 2023. This cost is also “non-monetary” as it did not involve 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. Please refer to the paragraph section 6 “Stock Option Plans” of the notes to the financial statements.

EBIT amounted to 6.316 thousand Euro compared to 7.984 thousand Euro as at 31 December 2022, with an almost unchanged impact of financial asset write-downs and depreciation and amortisation.

Financial components were constant compared to the previous year, except for the negative impact from the consolidation using the equity method of the associated company PV Labs Ltd.

Analysis of reclassified consolidated statement of financial position

<i>(in Euro thousands)</i>	As at 31 December 2023	As at 31 December 2022	Delta 2023 vs 2022	
Trade Receivables	8,197	11,052	(2,854)	(25.8%)
Assets for work in progress on order net of Advance payments on work in progress	1,749	1,030	720	69.9%
Inventories	10,187	7,529	2,658	35.3%
Trade payables	(5,319)	(7,516)	2,197	(29.2%)
Net trade working capital	14,816	12,095	2,720	22.5%
Other receivables and current assets	2,641	3,838	(1,197)	(31.2%)
Tax payables	(449)	(244)	(205)	84.2%
Other current payables and liabilities	(4,768)	(5,112)	344	(6.7%)
Net working capital	12,240	10,578	1,662	15.7%
Tangible Assets	8,993	6,749	2,244	33.3%
Right of use assets	661	707	(46)	(6.5%)
Intangible assets	4,648	2,445	2,203	90.1%
Investments and other financial assets	1,715	62	1,653	2680.9%
Deferred tax assets	2,375	2,522	(147)	(5.8%)
Defined benefit schemes	(1,013)	(822)	(191)	23.2%
Provision for risks and charges	(297)	0	(297)	0.0%
Deferred tax liabilities	(87)	(53)	(34)	65.0%
Net non-current assets	16,995	11,610	5,386	46.4%
Net invested capital	29,235	22,187	7,048	31.8%
Net debt	22,516	24,522	(2,006)	(8.2%)
Net equity	(51,751)	(46,710)	(5,042)	10.8%
Total net equity and net debt	(29,235)	(22,187)	(7,048)	31.8%

As of 31 December 2023 the net working capital of the Group is equal to 12,240 thousand Euro, increasing 1,662 thousand Euro compared to 31 December 2022. The increase can be attributed to the combined effect of the following factors:

- i) a cash generation brought about by a decrease in trade receivables of 2,854 thousand Euro resulting from a more stable monthly sales trend during the year, and, as a result, the trend in collections benefited;
- ii) an increase in Assets for work in progress on order of 4,492 thousand Euro, more than proportional to the increase in advances payments on work in progress of 3,772 thousand Euro;
- iii) an increase in the value of Inventories of 2,658 thousand Euro necessary to meet sales requirements and maintain an efficient supply chain;
- iv) a decrease in trade payables of 2,197 thousand Euro from 7,516 thousand Euro as of 31 December 2022 to 5,319 thousand Euro as of 31 December 2023. It should be noted that the balance of payables has returned to the “normal” trend for the Group. In fact, last year, the increase was a result of the growth in the volume of purchases concentrated in the last quarter of 2022 to meet the production needs of 2023. The trend is also reflected in the decrease in days payable outstanding as shown below;
- v) a decrease in other receivables and other current assets of 1,127 thousand Euro mainly due to the decrease in tax receivables as a result of the use in offsetting with current taxes for the year.

Below the incidence of the net trade working capital over total revenues compared between 2023 and 2022.

<i>(in Euro thousands and as percentage of Total Revenues)</i>	As at 31 December 2023	As at 31 December 2022
Net trade working capital (A)	14,816	12,095
Total Revenues Adjusted (B)	46,010	34,412
Net trade working capital /Total Revenues Adjusted (A)/(B)	32%	35%

The incidence shows an improvement in the management of Trade Net Working Capital in light of the increase in Revenues during the reporting period. This ratio is constantly monitored by management to keep an eye on the value of trade net working



Directors' Report on Operations as at 31 December 2023

capital, which is primarily impacted by the value of inventories, and assess its performance against actual and expected sales.

Net invested capital amounted to 16,995 thousand Euro as of 31 December 2023, an increase of 5,386 thousand Euro from 31 December 2022. The increase is mainly attributable to the following movements:

- i) net increase in tangible assets of 2,244 thousand Euro, after the recognition of depreciation for the period of 1,261 thousand Euro, mainly as a result of new purchases of machinery and equipment for 1,041 thousand Euro as well as the increase in assets under construction and advances for 2,112 thousand Euro in reference to the renovation work on the new building in Porto Sant'Elpidio (FM) and advances paid for new machinery;
- ii) net increase in intangible assets of 2,203 thousand Euro, after the recognition of amortisation of 305 thousand Euro, as a result of the recognition of assets for development projects of 2,184 thousand Euro (of which 360 thousand Euro were recognised as development costs and 1,824 thousand Euro as assets in progress) and for the purchase of software licenses of 326 thousand Euro;
- iii) net increase in investments and other financial assets of 1,653 thousand Euro mainly as a result of the purchase of the investment in PV Labs Ltd for 2,670 thousand Euro, net of the adjustment to the equity-method accounting as at 31 December 2023;
- iv) increase in provisions for risks and charges by 297 thousand Euro following the recognition of a restoration provision for the work required to return the Pedaso building to the condition in which it was originally leased, after formal notice of early termination of the contract, and a product warranty provision to cover any returns under product warranty within the legal terms.

Shareholders' equity as of 31 December 2023 shows an increase mainly due to the result for the year, net of dividends paid, and the increase in the stock option reserve. For more details, see Note 7.12 "Shareholders' equity" in the Notes to the Financial Statements.

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

Analysis of consolidated net debt and net financial position

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

<i>(in Euro thousands)</i>	As at 31 December 2023	As at 31 December 2022	Delta 2023 vs 2022	
A. Cash and cash equivalent	(3)	(1)	(2)	220%
B. Cash equivalents	(24,324)	(25,920)	1,596	(6%)
C. Other current financial assets	(4,811)	(654)	(4,157)	635%
D. Liquidity (A)+(B)+(C)	(29,139)	(26,575)	(2,564)	10%
E. Current debt (including debt obligations, but excluding the current part of the noncurrent debt)	195	150	46	30%
F. Current part of non-current debt	1,076	271	804	296%
G. Current debt (E)+(F)	1,271	421	850	202%
H. Net current debt (G)-(D)	(27,868)	(26,154)	(1,714)	7%
I. Non-current debt (excluding current part and debt obligations)	4,992	1,632	3,360	206%
J. Debt obligations	0	0	0	0%
K. Trade and other non-current payables	360	0	360	0%
L. Non-current debt (I)+(J)+(K)	5,352	1,632	3,720	228%
M. Total debt (H)+(L)	(22,516)	(24,522)	2,006	(8%)

"M. Total financial debt (H)+(L)" as of 31 December 2023 shows a negative balance (cash in excess of debt) of 22,516 thousand Euro compared to 24,522 thousand Euro as of December 31, 2022, a change of 2,006 thousand Euro.

This trend should be analyzed net of the effect resulting from the two new long-term loans for a total amount of 5 million Euro, as indicated in the section "Significant events", for which the only changes noted in indebtedness refer only to the payment of the installments provided for in the amortisation schedule. The main changes that led to the increase in indebtedness are:

- i) the item "Liquidity" which increased by 2,564 thousand Euro due to the combined effect of: an increase in cash of 5,000 thousand Euro as a result of taking out the two loans and a net use of cash of 2,436 thousand Euro. It is worth noting that during the year the Group acquired the investment in PV Labs Ltd with an outlay of 2,270 thousand Euro and dividends of 3,999 thousand Euro were paid. It should be noted that during the year with a view to efficient liquidity management, a BOT (Ordinary Treasury Bonds) was subscribed for a total of 4,011 thousand Euro, expiring in January 2024, classified among other current financial assets;
- ii) the overall increase of 4,570 thousand Euro in current and non-current financial debt, mainly related to the two new long-term loans for a total amount of 5 million Euro, as indicated in the section "Significant Events", the increase in



Directors' Report on Operations as at 31 December 2023

other non-current payables for 360 thousand Euro related to the non-current portion of two down payments collected during the year on projects, and the decrease in debt following the payment of installments under the amortisation and lease plans for 796 thousand Euro.

The Group does not have any loan agreements in place that require compliance with economic-financial covenants; however, one of the two new loans in 2023 provides, starting from 2024, for a reduction in the interest rate applied to compliance with covenants related to ESG issues.

It should be noted that as of 31 December 2022, the Company's net financial debt, calculated net of the effect of the application of IFRS16, was negative for 23.209 thousand Euro (25.380 thousand Euro as at 31 December 2022).

Reclassified consolidated cash flow statement

The reclassified cash flow statement as of 31 December 2023, compared to the previous year, is reported below.

<i>in Euro thousands</i>	as at 31 December 2023	as at 31 December 2022	Delta
Profit before taxes	5,919	7,939	(2,019)
Amortisation and Depreciation and write-downs	1,795	1,019	776
Provisions	297	0	297
Share of profits/(losses) of equity-accounted associates	538	0	538
Other non-monetary changes	4,846	201	4,645
Operating Cash Flow	13,396	9,159	4,236
Change in inventories	(2,758)	(2,093)	(665)
Change in trade receivables	2,812	(1,472)	4,284
Change in Assets for work in progress on order and Advance payments on work in progress	(720)	1,690	(2,409)
Change in trade payables	(2,197)	4,175	(6,372)
Change in other assets and liabilities	(370)	671	(1,041)
Change in Working Capital	(3,233)	2,971	(6,240)
Net (investments) in tangible fixed assets	(3,505)	(5,346)	1,841
Right of use (*)	(183)	996	(1,178)
Net (investment) in intangible fixed assets	(2,508)	(1,719)	(790)
Net change in other intangible fixed assets	48	(12)	59
Net change in other non-current liabilities	100	17	83
Total non-current assets/liabilities	(6,049)	(6,064)	15
Changes in Equity net of dividends paid and increase in share capital	149	0	149
FREE CASH FLOW Normalised	4,262	6,066	(1,804)
Net (investment) in associates (**)	(2,270)	0	(2,270)
Dividends paid (**)	(3,999)	0	(3,999)
Increase in share capital (**)	0	21,309	(21,309)
FREE CASH FLOW	(2,006)	27,375	(29,382)
Initial net financial position	(24,522)	2,853	(27,375)
Cash flow for the period	(2,006)	27,375	(29,382)
Final net financial position	(22,516)	(24,522)	2,006

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

(**) The items "Net (Investments) net in associates", "Dividends paid", and "Increase in share capital" have been separated from "Total noncurrent assets/liabilities" and "Changes in equity", respectively, to give evidence of the non-recurring nature of these cash flows, which are not related to ordinary activities.

As of 31 December 2023, the Group generated a Free Cash Flow Normalised totaling 4,262 thousand Euro, compared to 6,066 thousand Euro as of 31 December 2022. Excellent cash generation from ordinary activities for 2023, taking into account the absorption of working capital and investments for the year mainly related to the renovation and redevelopment works on the building in Porto Sant'Elpidio (FM), the group's future headquarters.

As of 31 December 2023, net financial position showed an absorption totaling 2,006 thousand Euro, compared to the cash generation recorded in the previous year of 27,375 thousand Euro, mainly resulting from the increase in equity following the IPO process of 21,309 thousand Euro.

Working capital committed cash flows of 3,233 thousand Euro, a decrease of 6,204 thousand Euro from what was generated during 2022 which amounted to 2,971 thousand Euro. The change from 2023 to 2022 is mainly attributable to a decrease in trade payables of 6,372 thousand Euro determined by a cash absorption of 2,197 thousand Euro during 2023 compared to the positive change of 4,175 thousand Euro recorded during 2022. This decrease can be attributed to the growth in purchase volume that arose in Q4 2022 to meet production needs at the end of last fiscal year. On the contrary, an excellent performance is noted in the management of trade receivables, which generated cash of 2,812 thousand Euro, thanks to the trend of monthly turnover that was more stable during 2023 and consequently the trend of collections benefited. The item "Change in Assets for work in progress on order and Advance payments on work in progress" (Assets for Contract Work in Progress net of Advances on



Directors' Report on Operations as at 31 December 2023

Contract Work in Progress) shows a cash absorption of 720 thousand Euro, as there is a higher incidence of the progress of assets for work in progress compared to advances collected from customers for contracts in progress. Inventories absorbed cash flows of 2,758 thousand Euro, compared with 2,093 thousand Euro in 2022, mainly to meet production needs. Other assets and liabilities include cash absorption of 370 thousand Euro, a decrease of 1,041 thousand Euro compared to cash flows generated in 2022 of 671 thousand Euro. The decrease is mainly attributable to lower advance payments received from customers during 2023, net of the recognition of income taxes for the year.

During the year ended 31 December 2023, total non-current assets / liabilities together absorbed cash of 6,049 thousand Euro in line with previous year. In detail, the Group invested 3,505 thousand Euro in tangible fixed assets mainly referring to the renovation of the new instrumental property in Porto Sant'Elpidio (FM) and the purchase of new plant and machinery to increase production capacity. The decrease compared to last year is attributable to the purchase of the new property in Porto Sant'Elpidio (FM) in December 2022 partly offset by new investments for the renovation of the same property as well as advances also paid for the purchase of new machinery during 2023. The variation in the rights of use reflects an absorption of cash flows in the course of 2023 following the start of new contracts leases in part offset by the remeasurement of the contract lease Pedaso. The contract was revised in its duration taking into account the formal notice of termination of the lease agreement, providing for the reallocation of the premises by June 30, 2024. Investment in intangible fixed assets absorbed cash flows for 2,508 thousand Euro, 790 thousand Euro increase in respect of last year, in consideration of the major investment supported in the year in development costs and purchase of software licenses.

Free cash flow for the period was also affected by two non-recurring events: (i) the acquisition of the equity interest in PV Labs Ltd in the amount of 2,270 thousand Euro and (ii) the payment of dividends in the amount of 3,999 thousand Euro. These two items have been kept separate from "Normalised" Free Cash Flow to give precisely evidence of cash generation from ordinary activities.

Alternative Performance Measures (APM)

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

Below are the main economic indicators of the Company, relating to the financial year ended on 31 December 2023 and the financial year ended on 31 December 2022.

<i>In Euro thousands, ratios and percentages</i>	2023	2022	Delta 2023 vs 2022	
Operating Revenues (1)	45,041	34,132	10,909	32.0%
Total Revenues (2)	46,151	34,412	11,739	34.1%
Total Revenues Adjusted (3)	46,010	34,412	11,598	33.7%
EBITDA (4)	8,154	9,059	(905)	(10.0%)
EBITDA margin (4)	17,7%	26,3%		(8.7) p.p.
EBITDA Adjusted (5)	13,107	9,948	3,159	31.8%
EBITDA Adjusted margin (5)	28,5%	28,9%		(0.4) p.p.
EBIT (6)	6,316	7,984	(1,667)	(20.9%)
EBIT margin (6)	13,7%	23,2%		(9.5) p.p.
EBIT Adjusted (7)	11,347	8,873	2,475	27.9%
EBIT Adjusted margin (7)	24,7%	25,8%		(1.1) p.p.
Net PROFIT for the year (8)	4,372	6,975	(2,603)	(37.3%)
Net PROFIT for the year Adjusted (8)	8,010	7,864	146	1.9%
ROS (9)	14,0%	23,4%		(9.4) p.p.

EBITDA Adjusted for the final year 2023 is equal to 13,107 thousand Euro, increasing of 3,159 thousand Euro (a percentage increase of 31.8%) compared to EBITDA Adjusted from 2022 (which was equal to 9,948 thousand Euro), while EBITDA Adjusted Margin for the final year 2023 is equal to 28.5%, a slight decrease compared to EBITDA Adjusted Margin from 2022 (equal to 28.9%).

The increase in absolute terms is basically due to the growth in Total Revenues, while the decrease in percentage terms is mainly attributable to the start of operations of the UK subsidiary. For more details, please refer to the section "Group performance and analysis of the results of the financial year ended 31 December 2023" in the Directors' Report on operation.

Net Profit for the period Adjusted is equal to 8,010 thousand Euro increasing by 1.9% compared to 31 December 2022.

Below are the main economic indicators of the Group, relating to the financial year ended on 31 December 2023 and the financial year ended on 31 December 2022.



Directors' Report on Operations as at 31 December 2023

<i>In Euro thousands, ratios and percentages</i>	As at 31 December 2023	As at 31 December 2022	Delta 2023 vs 2022
ROE (10)	8.4%	14.9%	(6.5) p.p.
ROI (11)	21.6%	36.0%	(14.4) p.p.

It should be noted that the decrease in ROE is attributable to an increase in Shareholders' Equity mainly due to the recognition of the Stock Option Reserve of 4,542 thousand Euro, which was fully recognised in the Income Statement during the year, as indicated in Section 6 "Stock Option Plans". Net of this change, which is also to be identified as a non-recurring cost in Net Profit for the year, ROE would be 17.0%.

- (1) Operating Revenues represent Group Revenues with reference to sale of goods, provision of services, royalties, provision of engineering services and change in assets for work in progress on order, as well as change in inventories of finished goods and semi-finished goods.
- (2) Total Revenues are a useful unit of measurement for evaluating the Group's performance. They are calculated as the sum of Operating Revenues and Other Revenues and Income.
- (3) Adjusted Total Revenues are calculated as Total Revenues net of any non-recurring transactions and the effects of certain events and transactions that Management considers unrelated to the Group's operating performance.
 - As at 31 December 2022 there are not non-recurring revenues;
 - As at 31 December 2023 Non-recurring revenues included the amount of 141 thousand Euro referring to the adjustment of the lease liability and right of use of the building in Pedaso (FM) in accordance with IFRS 16, following the formal notice of early termination of the lease agreement.
- (4) 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.
- (5) 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 31 December 2022 non-recurring costs amounting to 889 thousand Euro were recorded, relating to: part of the costs for the listing on the Euronext Milan market in the amount of 628 thousand Euro (for more details see section 6.12 Net Equity of the Notes to the Financial Statements), consulting costs on non-recurring transactions (patent box in the amount of 146 thousand Euro, ongoing M&A transactions in the amount of 85 thousand Euro) and other costs in the amount of 30 thousand Euro;
 - as at 31 December 2023 have been recorded non-recurring amounts for Euro 4.953 thousand of which 141 thousand Euro as non-recurring revenues (see note n.3) and as costs for 5,094 thousand Euro. Non-recurring costs are related to: costs incurred for the exercise of the majority shareholder's stock option plan amounting to 4,450 thousand Euro (for more details, see section 6 "Stock Option Plans" of the notes to the financial statements) and 91 thousand Euro for costs related to the new 2023 stock option plan (see section 6 "Stock Option Plans" of the notes to the financial statements), 247 thousand Euro for the provision of restoration costs for the building in Pedaso (FM) and the offices in Ardea (RM) for which formal notices of early termination of lease agreements have been sent, and other costs referring mainly to M&A activities.
- (6) 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.
- (7) 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, other to what stated in note (2), it is specified that non-recurring costs for the amount of 78 thousand Euro have been considered and referring to depreciation of assets for which the expected useful life has been reviewed in light of the formal notices of early termination of the lease agreement for the site in Pedaso (FM).
- (8) Net PROFIT for the period *Adjusted* is calculated as profit or loss for the year/period before the effects of non-recurring transactions and certain events and operation that Management considers unrelated to the Group's operating performance and related tax effects.
- (9) 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.
- (10) 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.
- (11) 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 year ending 31 December 2023 and the year ending 31 December 2022.

<i>In Euro thousands, ratios and percentages</i>	As at 31 December 2023	As at 31 December 2022	Delta 2023 vs 2022
Net Debt (1)	(22,516)	(24,522)	2,006 (8.2%)
Net Debt / Equity	(0.4)	(0.5)	0.1 (17.1%)
Net Debt / EBITDA	(2.8)	(2.7)	(0.1) 2.0%
Average trade receivable collection days (2)	64.8	118.2	(53.4) (45.1%)
Trade receivables turnover indicator (3)	5.6	3.1	2.5 82.3%
Average trade payable payment days (4)	75.4	140.1	(64.7) (46.2%)
Trade payable turnover indicator (5)	4.8	2.6	2.2 85.7%
Inventory turnover indicator (6)	1.9	1.9	0.0 0.1%
Net non-current assets (7)	16,995	11,610	5,386 46.4%
Net trade working capital (7)	14,816	12,095	2,720 22.5%
Net working capital - NWC (7)	12,240	10,578	1,662 15.7%
Net invested capital - NIC (7)	29,235	22,187	7,048 31.8%



The significant decrease in Trade receivables collection days has been aided by the more stable monthly sales trend in final year 2023, for which the collection trend benefited.

The average trade payables payment days as of 31 December 2023 are within the “normal” trend for the Group. Last year, in fact, the increase was a result of the growth in the volume of purchases concentrated in the last quarter of 2022 to meet the production needs of 2023.

- (1) As calculated in the Analysis of Consolidated 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 consolidated statement of financial position.

Investments

Capital expenditures related to tangible assets for the year ended 31 December 2023, amounting to 3,506 thousand Euro, mainly involved, renovation work on the building purchased last year as a new *headquarters* and the purchase of production machinery and instrumentation to expand the production area. These investments were aimed at increasing the company's production capacity.

Investments in intangible assets, amounting to 2,511 thousand Euro, are mainly related to new software for the amount of 322 thousand Euro and to development activity carried out during 2023 for the amount of 2,184 thousand Euro. These costs were capitalized in the category “Development costs” in the amount of 360 thousand Euro and in the category “Intangible assets in progress” in the amount of 1,825 thousand Euro, respectively.

Research and development activities

The Group continued its intensive research and development activities, the main projects followed during the year 2023 are listed below:

A - New high-integration architectures

Project dedicated to the research, conception, design and prototyping of innovative technologies for high-integration architectures, modularity, and intrinsic redundancy for inertial navigation and the definition of related hardware and software certification processes. The new and rapidly expanding sector of Uncrewed Aircraft Systems (UAS) with vertical takeoff and landing, electric Vertical Takeoff and Landing (eVTOL), requires a new, simpler, and more compact avionics for flight control, navigation, and vehicle management. Avionic equipment in the market (state of the art) is not suitable to meet all the requirements for UAS.

The activities carried out and the innovative technical solutions of this experimental development project (product innovation) have successfully defined new architectures and solutions aimed at significantly evolving inertial platforms towards increasing compactness and integration, while also maintaining a particular focus on “safety” characteristics (benefits for the entire reference sector) and certification.

This project is preparatory to the development of new applications in order to acquire new customers or to sell them from scratch to existing customers.

B - High Performance INS Self-Calibration Algorithms and Tools (submarine applications)

The project consists of researching a technical solution for inertial navigation systems in the naval sector, particularly for installations on board submarines, that allows overcoming some critical issues that limited the achievement of high performance in terms of accuracy in estimating the geographical position for long periods of navigation without the availability of aids from satellite navigation systems (GNSS).

The main critical issue is related to the fact that the inertial navigation system, to improve the accuracy of the provided data, requires a long period of navigation and movement in different directions, with the help of the GNSS receiver, in order to estimate the errors of the sensors on the various axes.

The technical solution behind this project allows for autonomous execution of the necessary rotations to estimate measurement errors in position and thus compensate for them to achieve improved performance.

C - High performance accelerometers in MEMS technology

Study and prototyping of a newly developed miniaturized accelerometer in MEMS (Micro Electrical Mechanical System)



technology with such accuracies that, in combination with Project FOG-PIC, dedicated to Fiber Optic Gyro (FOG) based technology, create competitive advantages and enabling solutions for more reliable, more accurate and more compact navigation systems with reduced weight and power consumption.

This project relates to a cross-cutting technology that will replace the one currently used on existing customers.

E – TIGHTLY COUPLED

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

F – FOG-PIC

The project concerns the experimental development of a sub-assembly, called “FOG-PIC” (Fiber Optic Gyroscope Photonic Integrated Circuit), and consists of the technological development, design, prototyping and testing of an innovative photonic device to be used as a strategic component within a triad of gyroscopic sensors, for advanced aerospace applications in the aviation sector. These devices are used within Inertial Measurement Unit (IMU) and Inertial Navigation System (INS), for stabilisation and inertial navigation. The project led to the filing of a patent (still under verification by the competent authorities) and involves two generations of devices based on completely different technologies, namely:

-The first-generation FOG-PIC device, which involves the integration of critical optical components on a traditional optical substrate and was partly co-funded by the Law of Dec. 24, 1985 no. 808, with funds from MISE for industry in aerospace, defense and security.

-The second-generation FOG-PIC device involving the integration of critical optical components on an exotic optical substrate was co-funded (50%) by funds derived from Secretariat General of Defense within the National Plan for Military Research (PNRM).

This project relates to a cross-cutting technology that will replace the one currently used on existing customers.

G - Evolution mining products #1 and #2

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

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

H - Global Navigation Satellite System (GNSS) receiver

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

Social, political and trade union climate

Civitanavi started already in the previous fiscal year the path of sustainability reporting (Accountability), which saw the publication of the first Sustainability Report, covering 2022, on 28 June 2023. Although it does not fall under the current regulatory requirements to prepare the Non-Financial Statement (Legislative Decree 254/2016), the decision was made in order to strengthen the Group's commitment to sustainable development.

Information related to ESG areas (environmental - social - governance issues) makes it possible to ensure a better understanding of the activities carried out by Civitanavi Systems, its performance, its results and the impact produced by them. This allows those who have access to such data to be able to make informed assessments and decisions about the impacts produced by Civitanavi Systems.

The commitment of Civitanavi Systems

The social aspects related to the work environment and the conditions that can guarantee adequate management of aspects



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



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

The Group is involved in sustainable development as a priority, and a Sustainability Report will also be prepared for fiscal year 2023.

In addition, during 2023, the Parent Company Civitanavi Systems S.p.A. took out a new loan with Intesa San Paolo S.p.A. in which it was agreed that upon the occurrence of two events related to ESG issues, the Company could benefit from a reduction in the spread on the interest rate applied. Specifically, the two events are as follows:

- Introduction of a procurement policy that integrates environmental considerations;
- Development of employee welfare programs.

Specifically, for the procurement policy, the Group has identified three main guidelines: purchasing, transportation, and energy supply, as cornerstone principles for sustainable development.

Regarding employee welfare programs, in January 2023 a group policy was signed with Intesa San Paolo S.p.A., which aims to protect employees from the economic consequences that may occur as a result of the onset of serious illness. Civitanavi confirms its focus on the centrality of people and the importance of a corporate welfare system that promotes the well-being of its employees. Please refer to note 7.13 of the Parent Company Financial Statements.

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.

Credit risk

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.



Directors' Report on Operations as at 31 December 2023

In such a case, the amount of write-down takes into account an estimate of recoverable flows based on the delay in payments. All other positions are evaluated on a collective basis using a provision matrix based on the age of the receivables and past loss experience. The historical information used in defining the provision matrix is adequate to reflect current and prospective information on macroeconomic factors that affect customers' ability to settle their debts.

As at 31 December 2023 the past due amount over 90 days is attributable to accounts receivable from customers with established business relationships to whom an additional payment deferral is granted without detecting any critical issues and to the vat credit related to a trade receivable charged to loss in previous years.

Management pays special attention to the recoverability of receivables. Credit exposures are, in fact, continuously monitored in order to minimize credit risk, identifying any risk indicators in a timely manner and consequently implementing the necessary actions to recover the receivables.

In addition, the Group is exposed to the degree of concentration of customer relationships, the risk is mitigated through diversification of the customer base and new applications.

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.

To hedge against interest rate risk on the two new loans started in 2023, the Group has entered into two Collar contracts. In addition, on one of the two new loan agreements there are two non-financial covenants, related to ESG issues, which, if met, allow the Group to benefit from a reduction in the spread (from 1.19 to 1.09) on the interest rate charged.

31 December 2023

<i>(In Euro thousands)</i>	Due date	Fair value
Collar Intesa San Paolo	28/07/2028	(7)
Collar BNL	15/09/2028	(6)
	Total	(13)

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:

31 December 2023

<i>(In Euro thousands)</i>	Due date	Fair value
Currency options of Intesa Sanpaolo	29/12/2025	(10)
	Total	(10)



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. 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.

Reconciliation between the Parent Company's Net Result and Equity with the consolidated figures

Pursuant to Consob Notice No. DEM/6064293 of July 28, 2006, a reconciliation of the result for the period and shareholders' equity of the Group with the similar figures of the Parent Company is provided below.

<i>(In Euro thousands)</i>	31 Decembre 2023		31 December 2022	
	Shareholders' Equity	Net result for the period	Shareholders' Equity	Net result for the period
Shareholders' equity and Net result for the period of the Parent Company	52,625	5,164	46,710	6,975
Differences between equity from consolidated companies and investment values	(450)	(385)	0	0
Elimination of intercompany transactions	131	131	0	0
Contribution from the equity method valuation of associates	(555)	(538)	0	0
Shareholders' equity and Net result for the period of the Group	51,751	4,372	46,710	6,975

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

Consolidated Financial statements at 31 December 2023 Civitanavi Group

Consolidated Statement of Financial Situation

<i>(in Euro)</i>	Notes	As at 31 December 2023	<i>of which with related parties</i>	As at 31 December 2022	<i>of which with related parties</i>
ASSETS					
Non-current assets					
Intangible assets	7.1	4,648,039		2,444,787	
Right of use assets	7.2	661,286		707,371	
Tangible assets	7.3	8,992,771	136,274	6,748,653	369,476
Investments in associates and other financial assets	7.4	1,714,852	1,714,852	61,665	11,664
Deferred tax assets	7.5	2,375,223		2,522,166	
Total non-current assets		18,392,172		12,484,641	
Current assets					
Inventories	7.6	10,187,484	1,072,566	7,529,428	
Trade receivables	7.7	8,197,384		11,051,575	60,603
Assets for work in progress on order	7.8	27,650,780		23,158,643	
Other receivables and current assets	7.9	2,641,170	121,114	3,838,306	
Current financial assets	7.10	4,811,412		654,324	
Cash and cash equivalents	7.11	24,327,722		25,921,022	
Total current assets		77,815,951		72,153,297	
TOTAL ASSETS		96,208,123		84,637,938	

<i>(in Euro)</i>	Notes	As at 31 December 2023	<i>of which with related parties</i>	As at 31 December 2022	<i>of which with related parties</i>
Share capital		4,244,000		4,244,000	
Reserves		43,135,407		35,490,594	
Net result		4,371,637		6,974,949	
Total net equity	7.12	51,751,044		46,709,543	
Non-current liabilities					
Non-current financial liabilities	7.13	4,494,344		923,523	
Non-current lease liabilities	7.2	497,475		708,323	
Deferred tax liabilities	7.5	86,851		52,632	
Defined benefit schemes	7.14	1,013,267	110,232	822,367	85,593
Provisions for risks and charges	7.15	296,700		0	
Other non-current payables and liabilities	7.18	360,054			
Total non-current liabilities		6,748,692		2,506,845	
Current liabilities					
Current financial liabilities	7.13	1,075,710		271,406	
Current lease liabilities	7.2	195,470		149,854	
Trade payables	7.16	5,318,543	120,198	7,515,577	68,592
Advance payment on assets for work in progress	7.8	25,901,463		22,128,827	
Tax payables	7.17	448,857		243,625	
Other current payables and liabilities	7.18	4,768,344	202,211	5,112,261	80,981
Total current liabilities		37,708,387		35,421,550	
TOTAL LIABILITIES AND NET EQUITY		96,208,123		84,637,938	



Consolidated Income Statement

<i>(in Euro)</i>	Notes	2023	<i>of which with related parties</i>	2022	<i>of which with related parties</i>
Operating revenues	8.1	45,041,290		34,131,554	
Other revenues and income	8.2	1,109,537		280,377	62,738
Total Revenues		46,150,827		34,411,930	
Raw material costs and change in inventories	8.3	19,057,113	74,033	14,071,723	772,094
Personnel costs	8.4	11,876,800	357,168	5,536,738	330,081
Service costs	8.5	6,672,269	824,818	5,502,933	616,858
Other operating costs	8.6	391,127	20,304	241,627	5,255
Write-downs of net financial assets	8.7	42,351		55,875	
Amortisation and depreciation and write-downs	8.8	1,795,009		1,019,485	
Operating profit		6,316,158		7,983,549	
Financial income	8.9	753,755		382,921	
Financial expenses	8.9	(612,252)		(427,946)	
Share of profit/(loss) of equity-accounted associates	7.4	(538,382)		0	
Profit before taxes		5,919,279		7,938,525	
Income taxes	8.10	(1,547,642)		(963,575)	
Net result		4,371,637		6,974,949	
Basic earning (loss) per share	8.11	0.14		0.23	
Diluted earning (loss) per share	8.11	0.14		0.23	

Consolidated Statement of Comprehensive Income

<i>(in Euro)</i>	Notes	2023	2022
Net result		4,371,637	6,974,949
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	118,301	(60,976)
Translation differences	7.12	(361)	0
Current portion of "Other comprehensive income (expense)", equity-accounted associates	7.4	(16,604)	
Total other components of the comprehensive income statement		101,336	(60,976)
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	(59,031)	182,932
Total other components of the comprehensive income statement		(59,031)	182,932
Comprehensive net result		4,413,942	7,096,905

Consolidated Statement of Changes in Equity

(in Euro)	Notes	Share Capital	Reserves												Net result	Total net equity
			Legal reserve	Share premium reserve	Extraordinary reserve	Reserve for own shares	Stock option reserve	Other reserves	EU-IFRS first-time adoption reserve	Cash flow hedge instruments reserve	Actuarial profits and losses reserve	Retained earnings (losses)	Translation reserve	Retained earnings of consolidation		
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
Net result															6,974,949	6,974,949
Total other components of the comprehensive income statement										(60,976)	182,932					121,955
<i>Comprehensive net result</i>										<i>(60,976)</i>	<i>182,932</i>				<i>6,974,949</i>	<i>7,096,905</i>
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)
31 December 2022	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
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
Net result															4,371,637	4,371,637
Total other components of the comprehensive income statement										118,301	(59,031)		(16,965)			42,305
<i>Comprehensive net result</i>										<i>118,301</i>	<i>(59,031)</i>		<i>(16,965)</i>		<i>4,371,637</i>	<i>4,413,942</i>
Allocation of the net result of the previous year			348,747		2,551,241			76,161							(2,976,149)	0
Other movements				341,455		(192,564)	4,541,666							(64,198)		4,626,359
Dividends distributed															(3,998,800)	(3,998,800)
31 December 2023	7.12	4,244,000	692,678	17,906,682	17,640,545	(192,564)	4,541,666	76,161	(32,454)	37,633	32,340	2,513,883	(16,965)	(64,198)	4,371,637	51,751,044



Consolidated Statement of Cash Flows

<i>in Euro</i>	Notes	As at 31 December 2023	<i>of which with related parties</i>	As at 31 December 2022	<i>of which with related parties</i>
Net result		4,371,637		6,974,949	
- Adjustments for:					
Income taxes	8.10	1,547,642		963,575	
Amortisation and depreciation and write-downs	8.8	1,795,026		1,019,485	
Provisions for risks and charges	7.15	296,700		0	
Capital losses/(gains) on disposal	8.2 - 8.6	310		2,014	
Financial expenses/(income)	8.9	(139,003)		45,024	
Income and expenses from equity investments	7.4	538,382	538,382	0	
Other non-monetary changes		4,984,822	24,639	154,095	57,170
Cash flow generated/(absorbed) by operating activities before changes in net working capital		13,395,515		9,159,143	
Change in inventories	7.6	(2,758,056)	(1,072,566)	(2,093,144)	768,753
Change in trade receivables	7.7	2,811,839	60,603	(1,471,720)	60,603
Change in Assets for work in progress on order and Advance payments on work in progress	7.8	(719,501)		1,689,953	
Change in trade payables	7.16	(2,197,035)	51,606	4,174,686	(81,289)
Change in other assets and liabilities	7.9 - 7.18	141,645	115	1,309,573	31,880
Cash flow generated / (absorbed) by operating activities		10,674,408		12,768,492	
Change in provisions for risks and Defined benefit schemes	7.14	(151,581)		(34,413)	
Taxes paid	8.10	0		(603,900)	
Net cash flow generated/(absorbed) by operating activities (A)		10,522,827		12,130,179	
Investments/Disposals in fixed assets	7.3	(3,505,229)	(136,274)	(5,346,125)	(369,476)
Investments/Disposals in intangible assets	7.1	(2,508,401)		(1,718,646)	
Incomings of financial credits towards controlled companies and other financial activities	7.4	0		(11,664)	(11,664)
Investments in equity and securities	7.4	(2,222,338)	(2,269,838)	0	
Net cash flow generated/(absorbed) by investing activities (B)		(8,235,968)		(7,076,435)	
Accruals of financial debts	7.13	4,985,016		25,422	
Loans repayment	7.13	(542,060)		(2,746,853)	
Capital contributions	7.12	0		21,309,228	
Share premium reserve adjustment	7.12	341,455		0	
Change in current financial liabilities	7.13	(161,332)		0	
Dividends paid	7.12	(3,998,800)		0	
Buyback of company shares	7.12	(192,564)		0	
Repayment of lease liabilities	7.2	(254,412)		(148,225)	
(Financial expenses paid)/Financial income collected	8.9	99,626		16,806	
Financial assets	7.10	(4,157,088)		691,717	
Net cash flow generated/(absorbed) by financial activity (C)		(3,880,159)		19,148,094	
Total change in cash and cash equivalents (A)+(B)+(C)		(1,593,300)		24,201,838	
Cash and cash equivalents at the beginning of the year		25,921,022		1,719,184	
Total change in cash and cash equivalents	7.11	(1,593,300)		24,201,838	
Cash and cash equivalents at the end of the year		24,327,722		25,921,022	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2023

1. General Information

The Civitanavi Systems Group (hereinafter referred to as the “**Group**”) is one of the main players in the high-tech navigation and inertial stabilisation systems sector. The parent company, Civitanavi Systems S.p.A. (also referred to as the “**Company**”), is a company incorporated and domiciled in Italy, with its registered office in Pedaso (FM), Via del Progresso No. 5, organised according to 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 in circulation on the stock market (float), of which 5.09% is held by Athena Spa. The shares traded on the stock market are listed on the Euronext Milan market.

It is clarified that the Swiss company is not part of any group, and during 2023, there were no transactions between Civitanavi Systems S.p.A. and Civitanavi Systems Ltd except for transactions related to the exercise of the Stock Option Plan of Civitanavi Systems Ltd. For further details, please refer to paragraph 6 of the explanatory notes to this financial statement. It is also specified that the Company does not own any shares or stakes in the parent company, either directly or through trust companies or nominees.

2. Summary of the accounting standards adopted

2.1 Basis of preparation

The consolidated financial statements for the year ended December 31, 2023 (hereinafter referred to as the “December 31, 2023 Consolidated Financial Statements”) have been prepared by the Group in accordance with International Financial Reporting Standards (hereinafter also referred to as “IFRS”).

The consolidated financial statements have been prepared in Inline XBRL (iXBRL) format in accordance with the provisions of Commission Delegated Regulation (EU) 2019/815 regarding technical regulatory standards for specifying the single electronic reporting format (ESEF - European Single Electronic Format – “Delegated Regulation”).

No unusual, unusual, and/or significant non-recurring operations or events occurred during the year.

Below are the main criteria and accounting principles applied in preparing the December 31, 2023 Consolidated Financial Statements.

2.2 Declaration of compliance with international accounting standards

The December 31, 2023 Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards endorsed by the European Commission and in effect at the same date. EU-IFRS encompasses all International Financial Reporting Standards (IFRS), all International Accounting Standards (IAS), and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

2.3 General principles

The Consolidated Financial Statements as of December 31, 2023 consist of the mandatory financial statements required by IAS 1, namely the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows, along with the explanatory notes, and are accompanied by the Board of Directors' report on the performance of management.

The Group has chosen to present the income statement by nature of expenses, while assets and liabilities in the statement of financial position are classified as current and non-current. The statement of cash flows is prepared using the indirect method, with the classification of cash flows into operating, investing, and financing activities. The formats used are those that best represent the economic, financial, and equity position of the Group.

An activity is classified as current when:

- it is assumed that such activity is carried out, or held for sale or consumption, in the normal course of operating cycle;
- it is owned primarily for the purpose of trading it;
- it is assumed to be realised within twelve months after the end of the fiscal year;



Consolidated Financial Statements as at 31 December 2023

- it consists of cash or cash equivalents (unless its exchange or use to settle a liability is not allowed for at least twelve months from the end date of the financial year).

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

A liability is classified as current when:

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

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

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

The Consolidated Financial Statements as of December 31, 2023 have been prepared in Euros. The financial statements, balance sheets, income statements, notes to the financial statements, and explanatory tables are expressed in Euros, except where otherwise indicated.

The Consolidated Financial Statements as of December 31, 2023 have been prepared:

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

2.4 Consolidation Area

The present Consolidated Financial Statements include the economic and financial positions as of December 31, 2023, of the Company and its subsidiaries, consolidated using the full consolidation method, prepared in accordance with IFRS accounting principles. The companies included in the consolidation area, their ownership percentages, and the consolidation method are detailed in the attachment "List of Companies Included in the Consolidation Area".

Subsidiaries

The companies over which the Group exercises control, either through direct or indirect ownership of the majority of exercisable voting rights or by virtue of the right to receive variable returns from its relationship with them, affecting those returns and exercising power over the companies, even disregarding equity relationships, are consolidated using the full consolidation method. Companies that are deemed irrelevant for the accurate and fair representation of the Group's financial position, financial performance, and results are excluded from consolidation using the full consolidation method, in accordance with Legislative Decree no. 127/1991. All controlled companies are included in the consolidation scope from the date when control is acquired by the Group, and they are excluded from the consolidation scope from the date when the Group loses control.

Associates

A related company is a company over which the Group exerts significant influence. Significant influence refers to the power to participate in the determination of the financial and operating policies of the investee without having control or joint control. An investee held at 20% or more indicates significant influence unless proven otherwise. The Group's investments in associated companies are valued using the equity method.

2.5 Accounting standards and measurement criteria

Below are presented the criteria adopted with reference to the classification, recording, valuation, and cancellation of the



different items of assets and liabilities, as well as the criteria for recognising income components.

Intangible assets

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

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

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

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

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

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

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

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

The useful life estimated by the Group for the various categories of intangible assets is shown below:

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

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

(a) Intangible assets with a finite useful life

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

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

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

Research costs are included in the income statement in the period in which they are incurred.

Internally generated intangible assets arising from the technological development of the company's products are recorded as assets, only if all the following conditions are met:

- the asset is identifiable;



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

Capitalised development costs include only the expenses incurred that can be directly attributed to the development process and mainly refer to the hours spent by highly specialised in-house personnel.

These intangible assets with a defined useful life are amortised on a straight-line basis over their respective useful lives, typically five years.

It is believed that five years is the average period beyond which the product may require a possible software update, reference electronic components, or technology upgrade.

Any impairments, as well as any reversals are calculated using the same methods reported below in the section relating to the "Impairment of tangible and intangible assets and of right-of-use assets".

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

Right of use and lease assets and liabilities

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

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

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

When assessing whether the lessee has the reasonable certainty to exercise the lease extension option or not to exercise the lease termination option, all relevant facts and circumstances creating an economic incentive for the lessee to exercise the lease extension option or not to exercise the lease termination option are considered. The lessee must reassess the lease term in the event of a change in the non-cancellable period of the lease.

On the effective date of the contract, the Group recognises the right-of-use asset and related lease liability.

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

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

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

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

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

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

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



After initial recognition, the lease liability is valued:

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

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

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

The Group has decided not to avail itself of the exemption provided by IFRS 16 in relation to short-term leases (i.e., lease contracts with a duration of 12 months or less from the commencement date).

The lessor must classify each of its leases as operating or finance leases. A lease is classified as finance if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as operating if it does not transfer substantially all the risks and incidental to ownership of an underlying asset.

For finance leases, at the commencement date, the lessor must recognise in the statement of financial position the assets held under finance leases and present them as a receivable at an amount equal to the net investment in the lease. For operating leases, the lessor must recognise lease payments due as revenue on a straight-line basis or by another systematic basis. The lessor must also recognise expenses, including depreciation, incurred to generate the lease revenue.

Tangible assets

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

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

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

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

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

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

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

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

The value of the tangible asset is completely written off when it is disposed of or when the company expects that no economic benefit can be derived from its sale.

Capital grants are recorded when there is reasonable certainty that they will be received, and all conditions related to them are



satisfied. Capital grants are therefore suspended between liabilities and credited proportionally to the income statement in relation to the useful life of the related assets.

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

At each balance sheet date, a review is conducted to ascertain whether there are indicators that tangible, intangible, and right-of-use assets may have suffered an impairment. Both internal and external sources of information are considered for this purpose. Regarding internal sources, considerations include: obsolescence or physical deterioration of the asset, any significant changes in the asset's use, and the economic performance of the asset compared to expectations. As for external sources, factors such as market prices of assets, potential technological, market, or regulatory discontinuities, and trends in market interest rates or the cost of capital used to evaluate investments are considered. If such indicators are identified, the recoverable amount of the assets is estimated, and any impairment is recognised against the related carrying amount in the comprehensive income statement. The recoverable amount of an asset is the higher of its fair value, net of selling costs, and its value in use, determined by discounting the estimated future cash flows for the asset, including, if significant and reasonably determinable, those arising from disposal at the end of its useful life, net of any disposal costs. In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the cost of money, adjusted for the investment period and the specific risks of the asset. For an asset that does not generate cash flows that are largely independent, the recoverable amount is determined in relation to the cash-generating unit to which the asset belongs.

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

Investments

Associated companies

The Group's investments in associated companies are valued using the equity method. Under the equity method, the investment in an associated company is initially recognised at cost. The carrying amount of the investment is increased or decreased to reflect the Group's share of the associated company's post-acquisition profits or losses. The goodwill relating to the associated company is included in the carrying amount of the investment and is not subject to a separate impairment test. The Group's share of the associated company's profit or loss for the period is reflected in the income statement. Any changes in other comprehensive income components related to these investments are presented as part of the Group's comprehensive income statement. Additionally, if an associated company reports a change directly to equity, the Group recognises its proportionate share, if applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and associated companies are eliminated in proportion to the Group's ownership interest in the associated companies. The Group's aggregate share of the associated companies' profit or loss for the period is recognised in the income statement after operating profit and represents the result net of taxes and the shares attributable to other shareholders of the associated companies. The financial statements of associated companies are prepared as of the same reporting date as the Group's financial statements. Where necessary, the financial statements are adjusted to comply with Group accounting principles. Following the application of the equity method, the Group evaluates whether it is necessary to recognise an impairment loss on its investments in associated companies. The Group assesses at each reporting date whether there are objective indicators that its investments in associated companies have incurred an impairment loss. In such cases, the Group calculates the amount of the loss as the difference between the recoverable amount of the associated company and its carrying amount in the Group's financial statements, recognising this difference in the income statement under "share of profit of associated companies". Upon loss of significant influence over an associated company, the Group assesses and recognises the residual 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 residual investment and any consideration received is recognised in the income statement.

Financial assets

At the time of their initial recognition, financial assets must be classified into one of the following categories: (i) financial assets measured at amortised cost, (ii) financial assets measured at fair value with impact on other comprehensive income, and (iii) financial assets measured at fair value with impact on the income statement. This classification is based on the following elements:

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

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



a) Financial assets measured at amortised cost

This category includes financial assets that meet both of the following conditions:

- the financial asset is held within a business model whose objective is achieved through collecting contractual cash flows (“Hold to Collect” business model); and
- the contractual terms of the financial asset stipulate that, at certain dates, cash flows consist solely of payments of principal and interest on the principal amount to be repaid (so-called “SPPI test” passed).

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

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

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

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

Financial derivative instruments and hedging transactions

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

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

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

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

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

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

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

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



Trade receivables

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

Furthermore, since trade receivables are generally short-term and do not bear interest, amortised cost calculation is not performed, and they are recorded at the nominal value stated in the invoices issued or contracts entered into with customers: this provision is also adopted for trade receivables with a contractual duration exceeding 12 months, unless the effect is particularly significant. The choice is made because the amount of short-term receivables is very similar when applying the historical cost method or the amortised cost criterion, and the impact of discounting logic would therefore be entirely negligible.

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

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

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

Inventories

Inventories are assets:

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

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

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

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

Cash and cash equivalents

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

Payables

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

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



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

Defined benefit schemes

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

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

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

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

Defined contribution plans mainly include:

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

Defined benefit plans, on the other hand, include:

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

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

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

Employee compensation benefits in the form of equity participation

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

Provisions for risks and expenses, contingent assets and liabilities

Potential assets and liabilities can be distinguished into several categories depending on their nature and their accounting



implications. In particular:

- provisions are actual obligations of uncertain timing or amount arising from past events for which it is probable that an outflow of economic resources will be required and a reliable estimate can be made;
- contingent liabilities are possible obligations for which the probability of an outflow of economic resources is not remote;
- remote liabilities are those for which the outflow of economic resources is unlikely;
- contingent assets are assets for which the certainty requirement is lacking and cannot be recognised in the balance sheet;
- an onerous contract is a contract in which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received from the contract;
- restructuring is a planned and controlled program by Management that significantly changes the scope of an entity's operations or the way in which the operations are conducted.

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

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

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

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

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

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

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

Treasury shares

Treasury shares repurchased are recognised at cost and deducted from equity. The purchase, sale, or cancellation of treasury shares does not result in any profit or loss in the income statement. The difference between the purchase price and consideration received, in the case of sale, is recognised in the share premium reserve.

Operating revenues

Operating revenue is recognised when the following conditions are met:

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

The Group recognises operating revenues when (or as) it fulfils a contractual obligation by transferring the promised goods or services (i.e., the asset) to the customer. The asset is transferred when (or as) the customer obtains control of it.

Assets for work in progress on orders are recognised using the percentage of completion method as the measurement basis for progress; under this method, costs, revenues, and margin are recognised based on the progress of the activity, determined by referring to the ratio of costs incurred as of the evaluation date to the total expected costs of the program (the "cost-to-cost" method).



Consolidated Financial Statements as at 31 December 2023

The Group transfers control of the goods or services over time, and therefore fulfils the contractual obligation and recognises revenues over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits derived from the entity's performance as it occurs;
- the group's performance creates or enhances an asset (e.g., work in progress) that the customer controls as the asset is created or enhanced;
- the group's performance does not create an asset with an alternative use to the entity, and the entity has a legally enforceable right to payment for performance completed to date.

If the contractual obligation is not fulfilled over time, the contractual obligation is satisfied at a specific point in time. In this case, the Group recognises revenue when the customer obtains control of the promised asset.

The consideration in the contract with the customer may include fixed amounts, variable amounts, or both. If the consideration includes a variable amount (e.g., discounts, price concessions, incentives, penalties, or similar items), the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to the customer. The Group includes in the transaction price the estimated amount of variable consideration only to the extent that it is highly probable that a significant revenue reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved. In cases where the Group has the right to receive consideration in exchange for goods or services transferred to the customer, the Company recognises an asset from contracts with customers. In the event of an obligation to transfer goods and services to the customer for which consideration has been received from the customer, the Group recognises a liability from contracts with customers.

Incremental costs of obtaining contracts with customers are recognised as assets and amortised over the term of the underlying contract if the Group expects to recover them. Incremental costs of obtaining the contract are costs incurred by the Group to obtain the contract with the customer that it would not have incurred if the contract had not been obtained. Costs of obtaining the contract that would have been incurred even if the contract had not been obtained should be recognised as an expense when incurred, unless they are explicitly chargeable to the customer even if the contract is not obtained.

Public Grants

Public grants are recognised when there is reasonable assurance that they will be received and that all conditions related to them are met. Grants related to cost components are recognised as revenue but are systematically allocated over periods to match the recognition of the costs they are intended to offset. The grant related to an asset is recognised as revenue on a straight-line basis over the expected useful life of the corresponding asset.

Recognition of costs

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

Listing costs

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

Warranties

The Group typically provides warranties for defects existing at the time of sale, as required by law. These standard quality warranties are accounted for as provisions for risks and charges. Please refer to Note 7.15 of the Consolidated Financial Statements.

Dividends

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

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

Income taxes

The Group's tax burden consists of current taxes and deferred taxes. If attributable to components recognised in the income



and expenses recognised in equity within the comprehensive income statement, these taxes are recorded with a corresponding entry in the same item.

Current taxes are calculated based on the tax laws in effect as of the balance sheet date. Any risks related to different interpretations of positive or negative income components, as well as any disputes with tax authorities, are assessed periodically to adjust the provisions recorded in the financial statements.

Deferred taxes are calculated based on temporary differences between the carrying amount of assets and liabilities and their tax value as well as tax losses. The assessment of deferred tax assets and liabilities is made by applying the expected tax rate at the time the temporary differences reverse; this forecast is made based on the tax laws in force or substantially in force at the reference date. Deferred tax assets, including those arising from tax losses, are recognised to the extent that, based on approved business plans by management, the existence of future taxable income is considered probable against which such assets can be utilised.

In the presence of uncertain tax treatments, the company determines the probability of acceptance by the tax authority. If acceptance is considered probable, the tax values take into account the uncertain tax treatment, while if acceptance is considered improbable, the company calculates the effect of such uncertainty using the most likely amount method or expected value.

Conversion of items in foreign currency

The consolidated financial statements are presented in Euros, which is the functional currency and presentation currency adopted by the Parent Company. Each Group entity defines its own functional currency, which is used to measure items included in individual financial statements. The Group uses the direct consolidation method; the reclassified profit or loss in the income statement upon disposal of a foreign subsidiary represents the amount arising from the use of this method.

Transactions in currencies other than the functional currency are recorded at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in currencies other than the Euro are subsequently adjusted to the exchange rate at the balance sheet date. Any exchange differences arising are reflected in the income statement within the item “Gains and losses on foreign exchange”.

At the balance sheet date, the assets and liabilities of Group companies are translated into Euros at the exchange rate prevailing at that date, and revenues and expenses of each comprehensive income statement or separate income statement presented are translated at the average exchange rates for the period. Exchange differences resulting from the translation are recognised in the comprehensive income statement. Upon disposal of a foreign operation, the portion of the comprehensive income statement related to that foreign operation is recognised in the income statement.

3. Recently issued accounting standards

The accounting standards adopted in preparing the financial statements for the year ended 31 December 2023 are consistent with those applied in preparing the financial statements for the year ended 31 December 2022, except for the adoption of new principles effective from 1 January 2023. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet in effect. Several amendments are applied for the first time in 2023, but they do not have significant impact on the Group’s financial statements.

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts*, issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the *variable fee approach*)
- a simplified approach (the *premium allocation approach*) mainly for short-duration contracts.

These amendments had no impact on the Group’s consolidated financial statements.

Definition of accounting estimate - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of “accounting estimates”. The



amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. These amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Standards - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. These amendments had no impact on the Group's consolidated financial statements.

Deferred taxes related to assets and liabilities arising from a single transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. These amendments had no significant impact on the Group's consolidated financial statements.

International Tax Reform – Pillar Two Model Rules – Amendments of IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Group's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group's financial statements.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

In May 2023, the IASB published the Amendments to IAS 7 Cash Flows and IFRS 7 Financial Instruments: Integrative information, in order to clarify features of reverse factoring agreements and provide further information. The Amendments aims at helping readers of the Financial statements in understanding effects on a company's liabilities, cash flows and exposure to liquidity risk related to reverse factoring agreements.



The Amendments will become effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Group's financial statements.

4. Estimates and assumptions

The preparation of financial statements requires the application of accounting principles and methodologies by the Directors, which in certain circumstances are based on difficult and subjective assessments and estimates, relying on historical experience and assumptions that are considered reasonable and realistic in the given circumstances. The application of such estimates and assumptions impacts the amounts reported in the financial statements, including the balance sheet, the income statement, the comprehensive income statement, the cash flow statement, as well as the disclosures provided. The final results of the financial statement items for which the aforementioned estimates and assumptions have been used may differ, even significantly, from those reported in the financial statements that reflect the effects of the occurrence of the estimated event, due to the uncertainty surrounding the assumptions and conditions on which the estimates are based. The areas that require greater subjectivity from the Directors in making estimates and for which a change in the underlying conditions of the assumptions used could have a significant impact on the Group's financial results are as follows:

- a) Impairment of tangible and intangible assets with definite useful lives: tangible and intangible assets with a defined useful life are subject to impairment testing to ascertain whether there has been an impairment loss when indicators suggest difficulties in recovering their carrying amount through use. The verification of these indicators requires the exercise of subjective assessments by the Directors based on available information from both internal and external sources, as well as historical experience. Furthermore, if it is determined that a potential impairment loss may have occurred, it is quantified using appropriate valuation techniques. The correct identification of indicators of a potential impairment loss, as well as the estimates for their determination, depend on subjective assessments as well as factors that may vary over time, influencing the assessments and estimates made by management.
- b) Provision for write-downs of receivables: the determination of this provision reflects management's estimates related to the historical and expected solvency of customers.
- c) Provision for risks and expenses: determining the existence of a current liability (whether legal or implicit) is sometimes not easily ascertainable. Directors evaluate such phenomena on a case-by-case basis, along with estimating the amount of economic resources required to fulfil the obligation. When Directors believe that the occurrence of a liability is only possible, risks are disclosed in the appropriate disclosure note on commitments and risks, without resulting in any provision.
- d) Useful life of tangible and intangible assets: the useful life is determined when the asset is recorded in the financial statement. The assessments of useful life are based on historical experience, market conditions, and expectations of future events that may impact the useful life, including technological changes. As a result, it is possible that the actual useful life may differ from the estimated useful life.
- e) Deferred tax assets: deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profits will be available against which the temporary differences or tax losses can be used.
- f) Inventories: final inventories of products with obsolete or slow-moving characteristics are periodically subject to measurement tests and written down if their recoverable value is lower than their carrying amount. The write-downs carried out are based on assumptions and estimates made by Directors derived from their experience and historical results.
- g) Lease liabilities: the amount of the lease liability and consequently the related right-of-use assets depends on the determination of the lease term. This determination is subject to management assessments, particularly regarding the inclusion or exclusion of periods covered by lease renewal and termination options provided for in the lease contracts. These assessments will be reviewed upon the occurrence of a significant event or a significant change in circumstances that affects management's reasonable certainty to exercise an option previously not considered in determining the lease term or not to exercise an option previously considered in determining the lease term.
- h) Estimate of revenue and cost to complete long-term contracts: the Group operates in business sectors with particularly complex contractual arrangements, recognised in the financial statements using the percentage of completion method when the requirements for recognising revenue over time are met. Margins are recognised in the income statement based on both the progress of performance obligations included in the contracts and the margins expected to be recognised on the entire work upon completion. Any requests for additional consideration resulting from contract modifications, including those arising from increased costs incurred due to the client, are considered in the total consideration where there is a high probability of recognition by the client, up to the expected value of such recognition. The estimation of the



total costs expected on contracts in progress is characterised by a high level of uncertainty as it can be influenced by multiple factors, including the engineering complexity of the products, the ability to promptly meet the technical specifications required by clients, and the ability to meet the contractually agreed-upon processing times; failure to meet such contract clauses may result in significant penalties and additional costs, to be considered in the estimation of total costs. To better support management estimates, the company has implemented contract management and risk analysis schemes aimed at identifying, monitoring, and quantifying risks related to the execution of such contracts. The values recorded in the financial statements represent the best estimate as of the date formulated by management, with the assistance of these procedural supports. In the event that the revision of economic plans (lifetime forecasts) during the progress of a contract reveals elements that make them onerous, the portion of costs necessary to fulfil the obligations assumed that exceeds the economic benefits derived from the contract is recognised in its entirety in the period in which it becomes reasonably predictable and provisioned in an “Onerous Contracts Provision Fund” recorded among current risk and provision funds. The reversal of such provisions is recognised as absorption within “Operating Revenues”.

- i) *Employee compensation benefits in the form of equity participation:* the Group has established a remuneration policy in which certain administrators, executives, and part of the staff benefit from the allocation of stock options in exchange for the services provided by the recipients themselves. In accordance with IFRS 2 principles, the benefit of the options is quantified by considering the fair value of the assigned instrument, including any market conditions in the assessment, and reviewing the estimate of the rights believed to be granted at each balance sheet date. The initially calculated fair value is not updated in subsequent valuations. The cost of these benefits is charged to the income statement in the periods referenced by the plan, with a corresponding entry to equity reserves. Please refer to section 6 “Stock Option Plans” for further details.
- j) *Impairment of the value of investments in associates:* if the Group has evidence that the investment has lost some of its value, management assesses the recoverability of the carrying amount of the investments in the associate through an impairment test, prepared in accordance with the requirements of IAS 36. The impairment test requires management to use estimates to determine the recoverable amount. The recoverable amount is identified as the value in use. In determining the value in use, management has considered the present value of the future cash flows expected to be generated by the evaluated associate. The expected future cash flows are determined based on a three-year Business Plan approved by the administrators of the associate company, which includes forecasts of revenues and costs, assets and liabilities, and cash flows. Please refer to Note 7.4 “Investments and Other Financial Assets” of the Financial Statements for impairment testing and sensitivity analysis.

5. Management of financial risks

For more details, please refer to the “Major Risks and Uncertainties” section of Directors' Report on Operations.

6. Stock Options Plans

In the course of the exercise, the Group has recorded the accounting effects of two stock option plans for the benefit of administrators, executives, and employees as follows.

Stock option plan of the majority shareholder – Closed

The majority shareholder, Civitanavi Systems Ltd, in previous years implemented a stock option plan for the benefit of employees of Civitanavi Systems S.p.A. (non-administrators) which provided for the assignment of the option right to subscribe to shares of Civitanavi Systems Ltd at a symbolic strike price of 1 CHF. The options assigned represented a maximum overall amount equal to 5.4% of the share capital of Civitanavi Systems Ltd. The listing event of Civitanavi Systems S.p.A. resulted in all assigned options being vested as of the start date of trading on the electronic market.

Starting from 2018, none of the beneficiaries deemed it appropriate to exercise the option, as the underlying - non-liquid - was tied to an equity instrument of the holding company Civitanavi Systems Ltd, whose probability (now certainty) of exercising such stock options pre-addendum resulted in zero, and consequently, the fair value of the stock options as of December 31, 2022, had been assessed at zero, in accordance with Appendix A of IFRS 2. 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 to the employees free of charge, unlike the initial contract, providing for the allocation, following the exercise of the options, of new instruments representing capital (shares of Civitanavi Systems S.p.A., instead of shares of the majority shareholder Civitanavi Systems Ltd) and, at the date of allocation of these new instruments, the entity identifies them as substitute instruments for those cancelled. The changes made have cancelled the subject matter of the Stock Option plan, substantially amending the agreement and consequently the fair value of the Stock Option plan, and in accordance with the International Financial Reporting Standard IFRS 2 (para. 27 and 28) have had an accounting impact in the current Consolidated Financial Statements as of December 31, 2023, of Civitanavi Systems S.p.A., as the incremental fair value



assigned is given by the difference between the fair value of the substitute capital instruments and the net fair value of the cancelled instruments, measured at the date of allocation of the substitute capital instruments.

On February 1, 2023, employees thus acquired the replacement option rights and simultaneously exercised them at the closing market price as of January 31, 2023, amounting to Euro 3.45 per share. The total number of shares exercised was 1,290,000, with a total value of 4,451 thousand Euro, representing 100% of the allocated stock options.

Changes during the period in the number of options granted to employees of Civitanavi Systems S.p.A.

<i>(In units)</i>	Number of stock options on Civitanavi Systems LTD shares	Number of stock options on Civitanavi Systems S.p.A. shares
In circulation at the beginning of the year	7,799	0
Conversion 1 February 2023	(7,799)	1,290,000
Exercised 1 February 2023	0	(1,290,000)
In circulation at the end of the year	0	0

The shares of Civitanavi Systems S.p.A. were transferred to employees by Civitanavi Systems S.p.A., net of tax implications. Civitanavi Systems S.p.A. acted as a withholding agent, as these allocations were related to the work performed by employees in favor of the company: 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 cost, recorded in the books of Civitanavi Systems S.p.A. in 2023, amounting to 4,451 thousand Euro, is classified as “non-recurring cost” and has been normalised in Adjusted EBITDA. This cost is also “non-monetary” as it did not involve 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, amounting to 4,451 thousand Euro, is available and will be allocated to extraordinary reserve following a resolution by the shareholders at the approval of the annual financial statements for the year 2023.

Stock option plan 2023 – Open

On April 27, 2023, the Shareholders' Assembly approved the compensation plan based on the allocation of ordinary shares of Civitanavi Systems S.p.A. with the aim of creating value and long-term loyalty. During the third quarter of 2023, the Board of Directors of Civitanavi Systems S.p.A. proceeded to allocate 881,315 options, specifically 685,815 options on November 7, 2023, and 195,500 options on December 22, 2023. The options were allocated to selected non-executive directors, executives, and employees of Civitanavi and/or its Subsidiaries, who hold roles considered strategically relevant for the Company's business or who are capable of making a significant contribution in pursuit of the strategic objectives of Civitanavi and its Subsidiaries, or who are otherwise deemed deserving of incentive forms based on the Board of Directors' unfettered and discretionary judgment, subject to consultation with the Remuneration Committee. The plan has a three-year duration, at the end of which the options can be exercised upon the occurrence of the maturity condition, i.e., remaining with the company. The exercise of the options will be subject to the payment of the “exercise price” and will take place in three tranches of equal amounts during the period between the 30th and the 60th day following the approval date of each of the first three financial statements of the Company following the maturity date.

It is recalled that in support of the implementation of this plan, the Shareholders' Assembly on April 27, 2023, also authorised the Buy Back plan, from June 5, 2023, to October 5, 2024, for a maximum number of own shares purchasable of 1,500,000 shares (equivalent to approximately 4% of the subscribed and paid-up share capital). Furthermore, also in support of the Stock Option Plan 2023, the extraordinary Shareholders' Assembly, convened on April 27, 2023, deliberated a paid-up share capital increase to Euro 8,000,000.00 through the issuance of a maximum of 1,300,000 shares without nominal value reserved for subscription by the beneficiaries of the 2023 stock options plan.

The fair value was determined based on the market price of the shares on the dates of option allocation, respectively equal to 3.85 Euro and 3.99 Euro. The cost is spread over the duration of the plan, taking into account the fair value determined at the time of option allocation and reviewing at each reference date of the financial statement the estimate of the rights that will be exercised. As of the approval date of these Financial Statements, the directors expect all options to be exercised. The relevant cost recognised in these Consolidated Financial Statements as of December 31, 2023, amounts to 91 thousand Euro with a corresponding Stock Option Reserve in equity.



7. Notes to the statement of financial situation

7.1 Intangible assets

The following table shows the breakdown and changes in intangible assets for the year ended 31 December 2023 and for the year ended 31 December 2022.

<i>(in Euro)</i>	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	1,974,868	3,680,122
Investments	359,761	326,196		1,824,696	2,510,654
Reclassifications	136,191			(136,191)	0
Decreases					0
Other movements				(2,253)	(2,253)
Historical Cost on 31 December 2023	995,494	1,526,447	5,460	3,661,121	6,188,523
Amortisation provision on 31 December 2022	164,808	1,065,068	5,460		1,235,335
Amortisation	136,356	168,780			305,135
Decreases due to transfers and disposals					0
Other movements		13			13
Amortisation provision on 31 December 2023	301,163	1,233,861	5,460	0	1,540,484
Net carrying amount on 31 December 2022	334,735	135,183	0	1,974,868	2,444,787
Net carrying amount on 31 December 2023	694,331	292,586	0	3,661,121	4,648,039

At December 31, 2023, intangible assets amount to 4,648 thousand Euro and mainly consist of Development Costs for 694 thousand Euro, Concessions, licenses, trademarks, and similar rights amounting to 293 thousand Euro, and Work in progress for 3,661 thousand Euro.

Concessions, licenses, trademarks, and similar rights refer to avionic software, management software, and generic software aimed at supporting the business through the continuous renewal and modernisation of technological platforms. These largely consist of software licenses for computers.

The item Development Costs of 694 thousand Euro refers to the capitalisation of internal development projects completed in the year and the commencement of the amortisation period.

The intangible assets in progress and advances item includes the capitalisation of costs related to internal development projects still ongoing at the closing date of the financial year.

For further details on the main development projects, please refer to the specific section contained in the Management Report of this document.

Depreciation for the year is accounted for in the appropriate line item of the income statement and amounts to 305 thousand Euro.

During the current financial year, there were no indications of possible impairment losses relating to intangible assets. Furthermore, no intangible assets with indefinite useful lives are recognised in the balance sheet.

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.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Net carrying amount of right-of-use assets (property)	497,784	699,936
Net carrying amount of right-of-use assets (vehicles)	50,024	7,435
Net carrying amount of right-of-use assets (server)	113,477	0
Total carrying amount of right-of-use assets	661,286	707,371
Current lease liabilities	195,470	149,854
Non-current lease liabilities	497,475	708,323
Total lease liabilities	692,945	858,177

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



Consolidated Financial Statements as at 31 December 2023

(in Euro)	31.12.2023	31.12.2022
Amortisation of right-of-use assets (property)	205,730	157,953
Amortisation of right-of-use assets (vehicles)	21,114	6,829
Amortisation of right-of-use assets (server)	1,923	0
Total amortisation of right-of-use assets	228,767	164,782
Interest payable for leases	78,867	38,985
Property lease fees	255,072	180,238
Vehicles lease fees	23,236	6,972
Server lease fees	2,132	0
Total cash flows for leases	280,439	187,210

At December 31, 2023, the right-of-use assets relate to various contracts including the lease of a property used as the main headquarters in Pedaso (FM), another property in Casoria (NA), and two contracts for the use of properties used as accommodation: one in Porto San Giorgio (FM) and the other in Pedaso (FM). During the course of 2023, new contracts were also entered into in accordance with IFRS 16. These include the lease of a property in Turin (TO), another in Bristol (United Kingdom), three car rental contracts, and a contract for a datacenter, the latter aimed at optimizing the Group's IT infrastructure. The value of the right-of-use assets decreased by 46 thousand Euro, as did the lease liabilities which decreased by 165 thousand Euro compared to December 31, 2022. This decrease is mainly attributable to the closure of the asset in Ardea, the termination of an employee car rental contract, and the remeasurement of the lease contract in Pedaso. The latter was carried out following the formal notification of the termination of the property lease contract, by the end of 2024, in preparation for the transfer to the new building intended to become the new *headquarters*.

Depreciation of the right-of-use assets and lease interest expenses increased compared to December 31, 2022, with a larger impact on the income statement of 104 thousand Euro.

The major accounting changes in 2023 are related to the new contracts entered into during the year, as illustrated above. The following table shows the values of the Group's lease liabilities at December 31, 2023.

(in Euro)	As at 31 December 2023					Carrying amount	Contract value
	within 1 year	between 1 and 2 years	between 3 and 5 years	over 5 years			
Lease liabilities	195,470	169,540	263,399	64,537	692,945	692,945	

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 31 December 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	130,816	1,040,838	204,915	17,005	2,112,467	3,506,042
Disposals			(10,087)			(10,087)
Reclassifications	147,042	35,340			(182,382)	0
Historical cost on 31 December 2023	3,743,025	2,548,830	884,602	4,169,122	2,112,468	13,458,046
Amortisation provision on 31 December 2022	2,171,551	484,248	364,038	193,600	0	3,213,437
Amortisation	442,463	289,738	139,844	389,063		1,261,107
Disposals			(9,277)			(9,277)
Other movements	2	1	3			6
Amortisation provision on 31 December 2023	2,614,016	773,987	494,608	582,663	0	4,465,274
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 31 December 2023	1,129,009	1,774,843	389,994	3,586,458	2,112,468	8,992,771

At December 31, 2023, Tangible Assets amount to 8,993 thousand Euro, representing a net increase of 2,244 thousand Euro compared to December 31, 2022.

The increase is primarily due to investments made during the year, totalling 3,506 thousand Euro, broken down as follows:

- investments of 131 thousand Euro in Plants and machinery, dedicated to the purchase of new machinery for production;
- investments of 1,041 thousand Euro in Industrial and commercial equipment, aimed at acquiring advanced equipment for product testing;



Consolidated Financial Statements as at 31 December 2023

- investments of 205 thousand Euro in Other assets, such as furniture, furnishings, and electronic machines;
- additional investments have been recorded among Work in progress and advances for 2,112 thousand Euro, mainly related to refurbishment works on the new building intended to become the new Headquarters.

All these investments aim to increase the Group's production capacity. The net value of disposed tangible assets is insignificant.

During the current fiscal year, there were no indications of possible impairment losses for tangible assets. However, in light of the upcoming move to the new headquarters, management has recalculated the useful life of some assets that will not be transferred to the new building, aligning it with the end of the lease contract, resulting in an increase in depreciation of 78 thousand Euro. Depreciation for the year has been accounted for in the appropriate line item of the income statement, totalling 1,261 thousand Euro. Furthermore, it is noted that as of December 31, 2023, there are no tangible assets owned encumbered by any type of guarantee provided to 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 31 December 2023 and 31 December 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Investments	1,714,852	1
Other Financial Assets	0	50,000
Financing to subsidiaries	0	11,664
Investments in associates and other financial assets	1,714,852	61,665

The equity investments recorded for 1,715 thousand Euro refer to the valuation, using the equity method, of the associate PV Labs Ltd. In January 2023, Civitanavi Systems S.p.A. announced the signing of a binding agreement to purchase a minority stake of 30% of the share capital of PV Labs Ltd. The agreement was finalised on May 5, 2023, under the announced conditions, for a sum of USD 2.5 million, equivalent to Euro 2.27 million. This agreement includes a call option (non-binding) for the purchase of the remaining 70%, exercisable within 5 years.

The decrease of 50 thousand Euro in Other financial assets relates to the repayment of 50 Cash Collect Certificates with 95% capital protection, issued by Unicredit for a total amount of 50 thousand Euro, subscribed in 2019, and expired on November 20, 2023.

Regarding the active financing to the subsidiary, the variation is attributable to the fact that the Group did not prepare the consolidated financial statements as of December 31, 2022, for the reasons already stated in these explanatory notes.

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

<i>(In Euro thousands)</i>	31 December 2023	Opening Balance
Non current assets	189	203
Current assets	2,052	3,496
Non current liabilities	(15)	(80)
Current liabilities	(2,883)	(2,586)
Net Equity	656	(1,033)
Group net equity (*) – 30%	343	(212)
Goodwill	2,058	2,058
Net value of the investment of the Group	1,715	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.

Below are the income statement and the comprehensive income statement of the associate PV Labs Ltd for the year ended December 31, 2023:

<i>(In Euro thousands)</i>	31 December 2023
Total Revenues	449
Raw material costs and change in inventories	(454)
Service costs	(356)
Personnel costs	(1,264)
Other operating costs	(74)
Amortisations	(103)
Operating profit	(1,801)
Financial income/(expenses)	(51)
Income taxes	58
Net result	(1,795)



Net result	(1,795)
Other comprehensive income that will be subsequently reclassified to profit/(loss) of the period:	
Translation differences	(55)
Total other comprehensive income that will be subsequently reclassified to profit/(loss) of the period	(55)
Other comprehensive income that will not be subsequently reclassified to profit/(loss) of the period:	
Total other comprehensive income (expenses)	(55)
Total comprehensive net result	(1,850)
Total comprehensive net result of the Group – 30%	(555)

The associate has no significant potential liabilities or commitments at the opening balance date, nor at December 31, 2023. As of the date of these financial statements, there were no impairment losses. Please refer to Note 7.4 of the Financial Statements for impairment analyses.

Please refer to paragraph 9 “Transactions with Related Parties” for further details on the relationships with the associate.

7.5 Deferred tax assets and deferred tax liabilities

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

<i>(in Euro)</i>	31.12.2023	31.12.2022
Losses on receivables	8,400	8,400
Unrealised foreign currency losses	9,640	799
Intangible assets - know-how and patents revaluation pursuant to (It.) DI 104/2020	2,011,100	2,298,400
Inventory depreciation provision	118,435	74,936
Financial derivative instruments	5,523	29,066
Actuarial Gains/(Losses)	18,641	0
<i>Right of use</i> - temporary differences	82,919	24,792
Tax losses	0	85,772
Provision for risks	85,242	0
Other temporary differences	35,323	0
Deferred tax assets	2,375,223	2,522,165

Deferred tax assets have been recognised as it is believed probable that taxable income will be generated against which they can be utilised.

During 2023, deferred tax assets decreased by 147 thousand Euro, mainly attributable to the combined effect of the following significant movements:

- tax depreciation calculated for 2023, related to the tax benefit resulting from the revaluation under the provisions of Article 110 of Decree-Law 104/2020 (converted with amendments by Law 126/2020), carried out in the financial statements as of December 31, 2020, according to national accounting principles and subsequently derecognised upon first adoption of EU-IFRS;
- utilisation of a tax credit for tax loss of 86 thousand Euro, recognised as of December 31, 2022, following the recognition of a tax profit during 2023;
- recognition of the tax effect resulting from temporary differences for the inventory impairment provision of 118 thousand Euro and for the provision for risks of 85 thousand Euro;
- recognition of the tax effect resulting from temporary differences attributable to the valuation of lease contracts under IFRS 16 for 83 thousand Euro.

The table below provides a breakdown of deferred tax liabilities as at 31 December 2023 and 31 December 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Unrealised foreign currency gain	8,977	19,077
<i>Lease</i> – temporary differences	55,781	0
Defined benefit schemes	22,093	33,555
Deferred tax liabilities	86,851	52,632

The table below shows the composition of and changes in the gross value of deferred tax assets and deferred tax provisions for the year ended 31 December 2023.



Consolidated Financial Statements as at 31 December 2023

<i>(in Euro)</i>	Balance as at 31.12.2022	Expenses (Income) to P&L	Other movements to OCI	Balance as at 31.12.2023
Losses on receivables	8,400	0		8,400
Unrealised foreign currency losses	799	8,841		9,640
Intangible assets - know-how and patents revaluation pursuant to (It.) DI 104/2020	2,298,400	(287,300)		2,011,100
Inventory depreciation provision	74,936	43,499		118,435
Financial derivative instruments	29,066		(23,543)	5,523
Actuarial Gains/(Losses)	0		18,641	18,641
<i>Right of use</i> - temporary differences	24,792	58,127	0	82,919
Tax losses	85,772	(85,772)		0
Provision for risks	0	85,242		85,242
Other temporary differences	0	35,323		35,323
Total deferred tax assets	2,522,165	(142,041)	(4,901)	2,375,223
Unrealised foreign currency gain	(19,077)	10,100		(8,977)
Defined benefit schemes	(33,555)	11,462		(22,093)
<i>Lease</i> - temporary differences		(55,781)		(55,781)
Total deferred tax liabilities	(52,632)	(34,219)	0	(86,851)
Total changes to IS		(176,260)		
Total changes to BS			(4,901)	

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

7.6 Inventories

The table below provides a breakdown of inventories as at 31 December 2023 and 31 December 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Finished products and other inventories	1,707,525	1,340,526
Raw materials, ancillaries and consumables	5,287,833	3,906,329
Unfinished and semi-finished products	2,465,047	1,863,562
Advance payments to suppliers	1,139,314	731,246
Gross inventories	10,599,719	7,841,663
Provision for inventory write-downs	(412,235)	(312,235)
Inventories	10,187,484	7,529,428

The Inventory item records a balance of 10,187 thousand Euro as of December 31, 2023, and 7,529 thousand Euro as of December 31, 2022. The inventory impairment provision amounts to 412 thousand Euro as of December 31, 2023, and it has received an allocation of 100 thousand Euro during the year.

The significant increase in gross inventories, amounting to approximately 2,758 thousand Euro compared to the previous fiscal year, is necessary to meet sales demands and maintain an efficient supply chain of materials.

Please refer to paragraph 9 “Transactions with Related Parties” for dedicated information.

7.7 Trade receivables

The table below provides a breakdown of trade receivables as at 31 December 2023 and 31 December 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Trade receivables from customers	8,431,192	11,182,429
Trade receivables from subsidiaries	0	60,603
Trade receivables (gross)	8,431,192	11,243,032
Provision for write-downs of trade receivables	(233,809)	(191,457)
Trade receivables	8,197,384	11,051,575

Trade receivables amount to 8,197 thousand Euro compared to 11,052 thousand Euro as of December 31, 2022.

The decrease in trade receivables is mainly attributed to the monthly turnover, which remained more stable during the year 2023, resulting in improved collection trends.

They represent credits for the supply of goods and services and are all short-term in nature, therefore the book value is comparable to the fair value at the date of preparation of this balance sheet.

The amount of impairments on receivables recorded in the balance sheet represents the reasonable estimate of the enduring



Consolidated Financial Statements as at 31 December 2023

loss of value identified against the specific risk of collectability identified in the receivables recorded in the balance sheet, as well as the expected loss of value.

The following table provides a breakdown of trade receivables as at 31 December 2023.

<i>(in Euro)</i>	To expire	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due over 90 days	Total
Gross trade receivables on 31 December 2023	3,948,451	2,555,073	1,001,772	405,182	482,669	8,393,146
Invoices to be issued/Credit notes to be issued	38,046					38,046
Provision for write-downs of receivables					(233,809)	(233,809)
Trade receivables on 31 December 2023	3,986,497	2,555,073	1,001,772	405,182	248,860	8,197,384

The overdue beyond 90 days, gross of the Credit Impairment Reserve (amounting to 234 thousand Euro), amounts to 483 thousand Euro. Of these, 128 thousand Euro are attributable to the VAT credit related to a commercial credit previously written off as a loss, and 35 thousand Euro are related to a credit that has already been fully impaired. The remaining amount of 320 thousand Euro represents receivables from customers that management is monitoring and believes to be entirely recoverable. In accordance with Article 2427, number 6 of the Italian Civil Code, it is specified that there are no receivables due beyond 5 years.

Below are the changes in the write-downs made on trade receivables for the financial statements as at 31 December 2023:

<i>(in Euro)</i>	Provision for write-downs of trade receivables
Balance on 31 December 2022	191,457
Provisions	42,351
Uses	0
Balance on 31 December 2023	233,809

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

Assets for work in progress, amounting to 27,651 thousand Euro as of December 31, 2023, and 23,159 thousand Euro as of December 31, 2022, refer to the inventory of ongoing projects from multi-year contracts valued using the percentage of completion method.

Advance payments on assets for work in progress, totaling 25,901 thousand Euro as of December 31, 2023, and 22,129 thousand Euro as of December 31, 2022, represent advances received from clients for multi-year projects.

The following table illustrates the net book value of work in progress assets.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Assets for work in progress on order	27,650,780	23,158,643
Advance payments on assets for work in progress	(25,901,463)	(22,128,827)
Net carrying amount of assets for work in progress on order	1,749,316	1,029,816

For more information on Assets for Work in Progress on order, please refer to Note 8.1 of this document and the Directors' Report on Operations.

7.9 Other receivables and current assets

The table below provides a breakdown of other receivables and current assets as at 31 December 2023 and 31 December 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Tax and other receivables	1,983,022	3,273,960
Deferred expenses	348,080	275,063
Advance payments	188,954	289,284
Receivables from major shareholder	121,114	0
Other receivables and current assets	2,641,170	3,838,306

The tax credits and other credits primarily consist of:

- IRES credit amounting to 219 thousand Euro owed to the Treasury by the Group;
- Research and development (R&D) tax credit totaling 257 thousand Euro as of December 31, 2023, comprising the remaining portion of the R&D tax credit for 2021 of 56 thousand Euro, 132 thousand Euro for 2022, and 69 thousand



Consolidated Financial Statements as at 31 December 2023

Euro for 2023;

- VAT credit owed to the Treasury amounting to 295 thousand Euro as of December 31, 2023 (624 thousand Euro as of December 31, 2022);
- Q-Sing project credit of 225 thousand Euro as of December 31, 2023, nil as of December 31, 2022;
- Contribution credit under Law 808 of 384 thousand Euro as of December 31, 2023, nil as of December 31, 2022.

Deferred expenses pertain to various types of prepaid payments and mainly include insurance premiums and fees related to IT/digital management.

Under Advances and prepayments, totaling 189 thousand Euro, advances paid to service providers during the fiscal year 2023 amount to 178 thousand Euro, and security deposits amount to 11 thousand Euro.

The credit towards the majority shareholder, amounting to 121 thousand Euro, reflects the credit accrued towards Civitanavi Systems Ltd as a result of Civitanavi Systems S.p.A. acting as a tax substitute in relation to the Stock Option operation. The amount will be paid by Civitanavi Systems Ltd when the Company is required to pay the relevant tax within the legal deadlines. Further details are available in Note 6 “Stock Option Plans”.

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

7.10 Current financial assets

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

<i>(in Euro)</i>	31.12.2023	31.12.2022
Current financial assets	4,811,412	654,324
Current financial assets	4,811,412	654,324

As of December 31, 2023, Current Financial Assets amount to 4,811 thousand Euro, compared to 654 thousand Euro as of December 31, 2022. This item is mainly composed of:

- the fair value of investments in Mutual Investment Funds Sicav/Sicaf/ETF, held in custody at Unicredit S.p.A., amounting to 778 thousand Euro as of December 31, 2023 (compared to 648 thousand Euro as of December 31, 2022).
- the investment in BOTs (Treasury Ordinary Bills), subscribed in December as part of efficient liquidity management, for a total of 4,011 thousand Euro with maturity in January 2024.

Both of these investments have been adjusted to their fair value as of December 31, 2023, generating a financial income of 97 thousand Euro. For further details, please refer to Note 8.9 “Financial Income and Expenses” of this document.

7.11 Cash and cash equivalent

The composition of the item Cash and cash equivalents as at 31 December 2023, compared with the situation as at 31 December 2022, is shown below:

<i>(in Euro)</i>	31.12.2023	31.12.2022
Bank and postal deposits	24,324,257	25,919,938
Cash in hand	3,465	1,084
Cash and cash equivalent	24,327,722	25,921,022

The amounts disclosed can be readily converted into cash, are not subject to constraints or restrictions, and are subject to an insignificant risk of value fluctuation.

The cash balances mainly consist of the balances of active current accounts.

Cash balances are recognised in the financial statements at nominal value and at the spot exchange rate at the end of the financial year, if in foreign currency.

Please refer to the “Consolidated Cash Flow Statement” for a detailed analysis of the year's movements and to the “Analysis of net financial indebtedness and net financial position” section of the Directors' Report on Operations for further insights.

It is also noted that the company has available and unused credit lines and unused overdraft facilities, amounting to 430 thousand Euro.



7.12 Net equity

The following table provides a breakdown of net equity as at 31 December 2023 and 31 December 2022.

<i>(in Euro)</i>	31.12.2023	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	(192,564)	0
Stock option reserve	4,541,666	0
Other reserves	76,161	0
EU-IFRS first-time adoption reserve	(32,454)	(32,454)
Cash flow hedge instruments reserve	37,633	(80,668)
Actuarial profits and losses reserve	32,340	91,371
Retained earnings (losses)	2,513,883	2,513,883
Translation reserve	(16,965)	0
Retained earnings of consolidation	(64,198)	0
Net result	4,371,637	6,974,949
Net Equity	51,751,044	46,709,543

For details of the movements, please refer to the “Statement of Changes in Consolidated Net Equity”.

Share capital

As of December 31, 2023, the share capital, fully subscribed and paid-up, amounts to Euro 4,244,000 divided into 30,760,000 ordinary shares, without indication of nominal value and dematerialised. Each ordinary share of the Company entitles the holder to one vote at ordinary and extraordinary shareholders' meetings of the Company, as well as other administrative rights provided by applicable laws and the Corporate by Laws.

Below is a summary of the movement of the number of shares in circulation that occurred in the year 2023:

	Number of Ordinary Shares
Shares outstanding on 1 January 2023	30,760,000
Increase in Share Capital	0
Own shares	49,386
Shares outstanding on 31 December 2023	30,710,614

No classes of shares with voting or other rights other than ordinary shares were issued. No financial instruments granting the right to subscribe for newly issued shares were also issued.

Share premium reserve

The share premium reserve amounts to 17,907 thousand Euro as of December 31, 2023, showing an increase compared to 17,565 thousand Euro as of December 31, 2022. The increase during 2023, amounting to 341 thousand Euro, is attributable to a portion of a tax credit recognised in 2023 for the costs of the listing (including placement commissions) incurred in 2022. These costs, totalling 1,731 thousand Euro, had previously been deducted from the share premium reserve, net of the tax effect, in accordance with the provisions of IAS 32.

Reserve for own shares

On 5th June 2023, Civitanavi Systems S.p.A. initiated the share buyback programme authorised by the Shareholders' Meeting on 27th April 2023 (the “Buyback Plan”). The program will be valid until 5th October 2024, and envisages a maximum number of purchasable shares of 1,500,000 shares (equivalent to approximately 4% of the subscribed and paid-up share capital). The programme aims to provide the Company with a strategic investment opportunity as well as to launch the new stock option plan “CNS - Stock Option Plan 2023” for the members of the Board of Directors and employees of Civitanavi Systems S.p.A. and/or its subsidiaries. As of 31 December 2023, the Company holds 49,386 ordinary shares (0.16% of the share capital) with a value of Euro 192,564.

As of the date of this document, a total of 62,650 ordinary shares have been purchased (equivalent to 0.20% of the share capital), for a total consideration of Euro 247,262.

Stock option reserve

The stock option reserve represents the counterpart of the expense related to the exercise of the two Stock Option plans: 4,451 thousand Euro for the majority shareholder's Stock Option plan and 91 thousand Euro for the 2023 Stock Option plan. For



further details, please refer to paragraph 6 “Stock Option Plans”.

The reserve recorded in relation to the majority shareholder's Stock Option Plan is available and will be allocated to extraordinary reserves following a resolution by the shareholders at the approval of the 2023 annual financial statements, as indicated in the Proposal for the allocation of profits in the notes to the Financial Statements.

EU-IFRS first-time adoption reserve

The EU-IFRS first-time adoption reserve shows a negative balance of 32 thousand Euro 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 deferred tax effects, has been recorded against the negative fair value of derivatives at the closing date of this financial statement. The derivatives were entered into to hedge against the risk of exchange rate and interest rate fluctuations. For further information, please refer to Note 7.13 “Financial Liabilities (current and non-current)” and the section “Main Risks and Uncertainties” of the 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 December 31, 2023, and December 31, 2022.

<i>(in Euro)</i>	31.12.2023		31.12.2022	
	Current quota	Non-current quota	Current quota	Non-current quota
Financing with credit institutions (a)	956,758	3,701,614	107,885	
Hedging derivative (b)		23,013	62,315	58,792
MISE financing (c)	97,452	738,980	95,542	836,432
Simest financing (d)	20,184	30,737	4,016	28,299
Payables for credit cards	1,315		1,649	
Total loans	1,075,710	4,494,344	271,406	923,523
Total current and non-current quotas	1,075,710	4,494,344	271,406	923,523
Financial liabilities	5,570,054		1,194,929	

The following table shows, for the year under review, the changes in financial liabilities arising from cash flows generated and/or absorbed by financing activities, as well as arising from non-monetary items, in accordance with IAS 7.

<i>(in Euro)</i>	31.12.2022	Increase	Repayments	Other non-monetary	31.12.2023
Financing with credit institutions (a)	107,885		(419,981)	1,268,855	956,758
Hedging derivative (b)	62,315			(62,315)	0
MISE financing (c)	95,542		(114,180)	116,091	97,452
Simest financing (d)	4,016		(6,250)	22,418	20,184
Payables for credit cards	1,649	1,315	(1,649)		1,315
Total current financial liabilities	271,406	1,315	(542,060)	1,345,049	1,075,710

<i>(in Euro)</i>	31.12.2022	Increase	Repayments	Other non-monetary	31.12.2023
Financing with credit institutions (a)	0	4,960,200		(1,258,586)	3,701,614
Hedging derivative (b)	58,792			(35,779)	23,013
MISE financing (c)	836,432			(97,451)	738,980
Simest financing (d)	28,299	23,501		(21,063)	30,737
Payables for credit cards	0				0
Total non-current financial liabilities	923,523	4,983,701	0	(1,412,879)	4,494,344



Consolidated Financial Statements as at 31 December 2023

Below is a description of the main items comprising the Group's financial liabilities as of December 31, 2023, and December 31, 2022.

a. *Financing with credit institutions*

(in Euro)	31.12.2023		31.12.2022	
	Current quota	Non-current quota	Current quota	Non-current quota
Intesa Financing 120280 (A 1)			107,885	
Intesa Financing 1765 (A 2)	457,678	1,838,170		
BNL Financing (A 3)	499,080	1,863,444		
Total	956,758	3,701,614	107,885	0
Current Payables to Banks	1,315		1,649	
Total Financing	958,073	3,701,614	109,533	0

A 1) *Unsecured Banca Intesa – Sabatini loan 2019*

On November 28, 2019, Civitanavi Systems S.p.A. entered into a loan agreement with Banca Intesa, seeking the benefits provided by the Sabatini Law for a total amount of 500 thousand Euro. The financing concluded on October 31, 2023, fully adhering to the repayment schedule. The contract involved repayment in increasing installments, on a monthly basis starting from December 31, 2019, and was 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 ministerial decrees of the Ministry of Industry, Trade, and Handicrafts 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.

A 2) *Intesa Loan*

In July 2023, Civitanavi Systems S.p.A. entered into a loan agreement for a value of 2,500 thousand Euro. The duration is set at 60 months, with no pre-amortisation. Repayment installments will occur in 60 deferred monthly installments, with the first installment paid on 28/08/2023 and the last one set for 28/07/2028. The interest rate is determined based on the one-month Euribor variable rate (on a 360-day basis), plus a spread of 1.19 percentage points. The financing was obtained to support the Group's growth projects, such as the renovation works at the new *headquarters* in Porto Sant'Elpidio (FM). Two covenants related to ESG issues were included in this financing, which, if met, provide the Group with a benefit equal to 8% of the applied spread (from 1.19 to 1.09). The two covenants are related to the introduction of a procurement policy that integrates environmental considerations and the development of employee welfare programs. As of December 31, 2023, both are reported to be met as follows.

In this regard, Civitanavi Systems S.p.A. states that during the year, an internal procurement policy integrating environmental considerations concerning three objectives—purchases, transportation, and energy supplies—has been introduced. In particular, for purchases, the Company has implemented a policy for the purchase of office materials with low environmental impact and FSC and EU Ecolabel certification. waste. Moreover, in 2022, agreements with Guarantee of Origin (GO) were already made for the purchase of electricity from renewable sources. Furthermore, in January 2023, a collective insurance policy was signed with Intesa San Paolo S.p.A. aimed at protecting employees from the economic consequences that may arise following the onset of serious illnesses. Civitanavi confirms its attention to the centrality of people and the importance of a corporate welfare system that promotes the well-being of its employees, allocating 0.05% of the annual turnover to the welfare fund dedicated to its employees, amounting to 24 thousand Euro.

A 3) *Bnl Loan*

In September 2023, Civitanavi Systems S.p.A. entered into a new financing agreement for an amount of 2,500 thousand Euro. The duration of the financing has been set for a period of 5 years. Repayment installments are scheduled quarterly. The interest rate is calculated based on the three-month Euribor variable rate, to which a spread of 0.90 percentage points is added. This financing was granted under the “BNL Enhanced Sustainable SME and MIDCAP Support” initiative, which benefits from a guarantee provided by the European Investment Fund (EIF) and a counter-guarantee from the European Investment Bank (EIB). This financing is intended to cover the medium to long-term working capital needs related to operational activities.

b. *Hedging Derivate*

As of December 31, 2023, the “Hedging Derivate” item includes: (i) the negative fair value of the option contract entered into in 2022 on currency to hedge the assets, maturing on December 29, 2025, and (ii) the Market to Market of the two new Collar contracts entered into in 2023 to hedge the variable rate of the two loans (Banca Intesa S.p.A. and Banca BNL S.p.A. discussed in the previous section to which reference is made), maturing respectively on July 28, 2028, and September 15, 2028.



c. MiSE financing- 2018

On February 5, 2018, Civitanavi Systems S.p.A., under Law No. 808 of December 24, 1985, concerning “Measures for the development and enhancement of competitiveness of industries operating in the aerospace sector”, requested financing for the project “FOGPIC Fiber Optic Gyroscope Photonic Inertial Chip”, equal to 75% of the costs/expenses of research and development activities for the years 2018-2019-2020, divided into annual installments with allocation of the related expenses for each year. In 2021, the final statement was submitted, resulting in a total disbursed amount as of December 31, 2021, of 1,427 thousand Euro. This amount, recorded at amortised cost, will only need to be repaid by the Company in the financed portion, amounting to 80% of the disbursed amount, or 1,142 thousand Euro, as the remaining 20% is non-refundable. The repayment will be made in 10 annual installments of 114 thousand Euro each, without the application of passive interest, until 2032.

d. Simest financing

In the context of the Facilitated Financing provided for by the National Recovery and Resilience Plan (PNRR), Civitanavi Systems S.p.A. has entered into an agreement with Simest for subsidized-rate financing under the “de minimis” regime, corresponding to 75% of the expenditure, with a non-refundable portion under the Temporary Framework equal to the remaining 25% of the expenditure. The objective of this financing is to support participation in an international event, aiming to promote the company's business in foreign markets. This event was identified by the company at the “Farnborough International Airshow 2022” held in Farnborough, United Kingdom.

The contract was finalised on February 8, 2022, with the early disbursement of 50 thousand Euro, equal to 50% of the total amount expected for participation in the event. In December 2023, the company received the final tranche of the financing, amounting to 24 thousand Euro.

The amount recorded in financial liabilities refers exclusively to the financed portion, valued at amortised cost, which will be repaid in six semi-annual installments starting from August 8, 2023, and until February 8, 2026.

The Group does not have any financing contracts that require compliance with financial covenants; however, reference is made to the previous paragraph A2) Intesa Sanpaolo Bank Loan for details on the covenants related to ESG issues.

7.14 Defined benefit schemes

The item includes the recognition of severance pay for employees of the Italian companies within the Group, accrued in accordance with the law and updated according to the methods prescribed by IAS 19.

The following table shows the changes in defined benefit plans as at 31 December 2023:

<i>(in Euro)</i>	Severance indemnity
Balance on 31 December 2022	822,367
<i>Current service cost</i>	214,814
Directors' end-of-mandate indemnity	20,000
Financial expenses	29,996
Actuarial losses/(profits)	77,672
Benefits paid	(151,581)
Balance on 31 December 2023	1,013,267

The personnel funds represent the estimated liability, determined based on actuarial techniques, corresponding to the amount to be paid to employees upon termination of employment.

As of December 31, 2023, defined benefit plans refer to the severance pay (hereinafter referred to as “TFR”) accrued for employees.

Given the negligible impact as of December 31, 2023, no discounting of the liability for end-of-service indemnity for directors has been performed.

Severance indemnity (TFR)

Employee benefits related to TFR amount to 1,013 thousand Euro and 822 thousand Euro respectively as of December 31, 2023, and December 31, 2022.

The value of the TFR liability, falling within the definition of defined benefit plans under IAS 19, was determined using actuarial



Consolidated Financial Statements as at 31 December 2023

methods. The annual discount rate used to determine the present value of the obligation was derived, consistently with paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a duration of 10+ as of the valuation date. For this purpose, a yield with a duration comparable to the duration of the employee group being assessed was selected.

The main actuarial, financial, and demographic assumptions used to determine the liability value as of December 31, 2023, in accordance with the provisions of IAS 19, are set out below.

Summary of technical economic basis (as a percentage)	As at 31 December 2023
Annual discount rate	3.17%
Annual inflation rate	2.00%
Annual TFR increase rate	3.00%
Annual salary increase rate	0.50%
Death	RG48 mortality tables published by the State General Accounting Office
Disability	INPS tables broken down by age and gender
Retirement	100% upon reaching the AGO requirements adjusted to Decree-Law 4/2019
Probability of early TFR	1.00%
Annual turnover rate	3.00%

The table below summarises the sensitivity analysis for each actuarial, financial, and demographic assumption, showing the effects (in absolute value) there would be as a result of changes in actuarial assumptions that were reasonably possible on 31 December 2023.

Sensitivity analysis 2023	As at 31 December 2023
Turnover rate +1.00%	966,937
Turnover rate -1.00%	946,728
Inflation rate +0.25%	984,051
Inflation rate -0.25%	932,434
Discount rate +0.25%	925,765
Discount rate -0.25%	991,477

The table below shows the estimate of expected payments (at nominal value) on 31 December 2023 relating to the TFR in future years.

Years	Disbursements foreseen (in Euro)
2024	59,160
2025	58,707
2026	67,636
2027	76,284
2028	84,665

7.15 Provisions for risks and charges

The summary of provisions for risks and charges, for the years 2023 and 2022, is provided below:

(in Euro)	31.12.2023	31.12.2022
Product warranty guarantee fund	50,000	0
Restoration Fund	246,700	0
Provisions for risks and charges	296,700	0

In evaluating potential liabilities, strict criteria of prudence and competence have been observed.

As of December 31, 2023, a specific product warranty guarantee fund has been established to cover any expenses related to the repair of defective products under legal warranty, amounting to 50 thousand Euro. The provision has been recognised in the income statement under material costs for 20 thousand Euro and personnel costs for 30 thousand Euro.

As of December 31, 2023, a restoration fund has been established for expenses necessary to restore the Pedaso headquarters following the early termination of the lease agreement for relocation to the new headquarters, amounting to 247 thousand Euro. The provision has been recognised in the income statement under service costs for 247 thousand Euro.



7.16 Trade payables

The composition of trade payables as at 31 December 2023, compared with the situation as at 31 December 2022, is shown below:

<i>(in Euro)</i>	31.12.2023	31.12.2022
Trade payables to suppliers	5,198,643	7,446,985
Trade payables to other related parties	119,900	68,592
Trade payables	5,318,543	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 Note 9 “Related Party Transactions” in this document.

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

7.17 Tax payables

The tax payables as of December 31, 2023, amount to 449 thousand Euro compared to 244 Euro as of December 31, 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Withholding taxes applied at source from employment, assimilated, and self-employment	393,448	235,342
Current tax payables	55,409	0
Liability for substitute tax	0	8,148
Other tax payables	0	136
Tax Payables	448,857	243,625

The item only includes liabilities for certain and determinable taxes, specifically referring to:

- withholding taxes applied at source on liabilities from dependent, assimilated, and self-employment for 393 thousand Euro as of December 31, 2023, and for 235 thousand Euro in 2022;
- current tax payables amounting to 55 thousand Euro.

7.18 Other current and non-current payables and liabilities

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

<i>(in Euro)</i>	31.12.2023	31.12.2022
Payables to employees	1,454,723	1,100,165
Payables to pension institutions	777,855	605,515
Deferred income	806,793	657,402
Payables to directors	159,753	19,091
Accrued liabilities	0	8
Advance payments from customers	439,299	2,654,519
Advances on projects	294,703	0
Pre-financing	795,356	0
Other	39,862	75,560
Other current payables and liabilities	4,768,344	5,112,261
Advances on non-current projects	360,054	0
Other non-current payables and liabilities	360,054	0

As of December 31, 2023, other current liabilities amount to 4,768 thousand Euro, compared to 5,112 thousand Euro recorded as of December 31, 2022. This balance is mainly composed of the following items:

- Payables to employees, amounting to 1,455 thousand Euro as of December 31, 2023, and 1,100 thousand Euro as of December 31, 2022, including the liability related to December salaries, paid in early January 2024, and the liability related to accrued but unused vacation days;
- Payables to pension institutions totalling 778 thousand Euro in December 2023 (compared to 606 thousand Euro in the previous fiscal year), relating to the company's contributions and employee deductions for pension contributions, in accordance with applicable regulations;
- Accrued liabilities adjusting capital contributions granted by the Marche Region for the purchase of machinery, accounted for as “Other revenues”, the R&D tax credit contribution for capitalised development projects, and investments in capital assets made in 2020 and 2021 under laws 160/2019 and 178/2020, allocating them to the period for their exact matching;
- Advances from customers amounting to 439 thousand Euro as of December 31, 2023, showing a decrease from 2,655



Consolidated Financial Statements as at 31 December 2023

thousand recorded as of December 31, 2022, mainly due to supplies made during the year corresponding to advances received in the previous year;

- Advances related to projects, amounting to 295 thousand Euro, representing the initial tranches of grants received for the Q-SiNG project financed by the European Union;
- Pre-financing refers to the amount of 795 thousand Euro received by the Parent Company in late December 2023, as advances for a project financed by the European Union, of which it is the lead partner. This amount was then distributed and reimbursed to other project participants in early January 2024.

As of December 31, 2023, Other non-current liabilities amount to 360 thousand Euro, nil as of December 31, 2022. The entire amount is related to non-current portions of pre-financing for European projects received, as mentioned above, adjusted to their present value.

8. Notes to the income statement

8.1 Operating revenues

As of December 31, 2023, operating revenues amounted to 45,041 thousand Euro, comprising 1,207 thousand Euro from inventory variation and 43,834 thousand Euro from contracts with customers, of which 4,492 thousand Euro relates to variations in work in progress for orders.

The breakdown of revenues by “type” is summarised as follows:

<i>in thousand Euro</i>	31.12.2023	Inc %	31.12.2022	Inc %	Change	Change %
<u>Revenues from sale of goods</u>	34,879	80%	23,678	72%	11,201	47%
<u>Revenues from “Service”</u>	1,045	2%	746	2%	299	40%
<u>Revenues from royalties</u>	922	2%	860	3%	61	7%
Revenues from services	2,497		1,869			
Changes in assets for work in progress on order	4,492		5,874			
<u>Revenues from engineering services and Change in contract work</u>	6,989	16%	7,743	23%	(754)	-10%
Operating revenues net of the change in FP/SFP inventories	43,834	100%	33,027	100%	10,807	33%
Change in FP and SFP inventories	1,207		1,105		102	9%
Operating revenues	45,041		34,132		10,910	32%

The table below provides a breakdown of operating revenue by geographic area for the years ended 31 December 2023 and 31 December 2022:

<i>in thousand Euro</i>	31.12.2023	% of total 2023	31.12.2022	% of total 2022	Change 2023-2022	Change %
Italy	5,299	12%	4,355	13%	944	22%
EMEA (except Italy)	33,177	76%	22,604	61%	10,573	47%
APAC	4,185	10%	4,251	19%	(66)	(2%)
North America	1,173	3%	1,816	7%	(643)	(35%)
Rest of the World	0	0%	0	0%	0	0%
Operating revenues net of the change in FP/SFP inventories	43,834	100%	33,027	100%	10,807	33%
Change in FP and SFP inventories	1,207		1,105		102	9%
Operating revenues	45,041		34,132		10,910	32%

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

The item Change in Assets for contract work in progress includes the economic counterpart of the provision for future contract losses, nil as of 31 December 2022 as shown below.

<i>(in Euro)</i>	As at 31 December 2023		
	Change in the financial year	Allocation to the provision for risks	Total
Revenues from Change to WIP 31 December 2023	4,491,990	0	4,491,990

Work in progress for orders primarily refers to contracts entered into with customers specifically for aerospace and defense development activities.

The vast majority of contracts with customers within the Group do not involve variable consideration.

The Group believes that there are no contracts containing a significant financing component, meaning the period between the transfer of the agreed-upon asset to the customer and the customer’s payment exceeds twelve months. Therefore, no adjustment



has been made to the consideration of the transaction to account for the effects of the time value of money.

Disclosure on Operating Segments

In accordance with IFRS 8 paragraph 12, following a qualitative assessment conducted by the directors, it was decided to aggregate the business divisions into a single reporting segment, consistent with the approach applied in previous periods.

8.2 Other revenues and income

The following table provides a breakdown of other revenues and income for the periods ended 31 December 2023 and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Recoveries, chargebacks and sharing	55,266	47,778
Grants	806,678	145,386
Insurance claims	79,450	0
Extraordinary income/Capital gains	7,073	504
Other revenues from subsidiaries	0	60,603
Other revenues	161,070	26,106
Other revenues and income	1,109,537	280,377

As of December 31, 2023, other revenues and gains amounted to 1,110 thousand Euro, compared to 280 thousand Euro as of December 31, 2022, showing a significant increase of 829 thousand Euro compared to the previous fiscal year. This increase is primarily attributable to a positive variation in operating contributions, largely derived from contributions granted by the Marche Region for investment grants, contributions for investments in Industry 4.0 assets, L.808 contributions, contributions for the Q-SiNG project, and tax credits recognised for IPO expenses in accordance with regulatory provisions. The tax credit related to the latter was recognised up to a maximum of 500 thousand Euro, and this amount was proportionally distributed between “Other revenues and gains” (159 thousand Euro) and “Share premium reserve” (341 thousand Euro), in accordance with the method of accounting for IPO costs incurred in 2022, as mandated by IAS 32.

It is noted that contributions recorded under capital expenditure are credited to the income statement in close correlation with the depreciation process related to the assets and projects involved.

Additionally, during the observed year, an insurance compensation of 79 thousand Euro was recognised for the damage to a machinery in the production area.

Finally, the item “Recoveries, chargebacks and sharing” includes both expense reimbursements requested from customers by the Group and the cost-sharing portions paid to the Group under contracts or other agreements.

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 31 December 2023 and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Purchases of raw materials and consumables	20,318,617	15,009,319
Changes in inventories of raw materials, ancillary materials, consumables and goods	(1,281,504)	(937,596)
Provision for product warranty fund	20,000	0
Raw material costs and change in inventories	19,057,113	14,071,723

As of December 31, 2023, the raw material costs and change in inventories amounted to 19,057 thousand Euro, an increase of 4,985 thousand Euro compared to the previous fiscal year.

The escalation in the Purchases of raw materials and consumables has increased proportionally to the increase in revenue from the sale of goods; further details are provided in the Directors’ Report on Operations.

Additionally, as of December 31, 2023, a provision for product guarantee fund was made, recognising additional costs for the purchase of goods of 20 thousand Euro to cover future expenses related to the repair of defective products under warranty.



8.4 Personnel costs

The table below provides a breakdown of personnel costs for the years ended on 31 December 2023 and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Salaries and wages	9,483,267	3,619,340
Social security expenses	1,858,958	1,481,208
Expenses for severance indemnity	476,743	414,190
Provision for product warranty fund	30,000	0
Other	27,832	22,000
Personnel costs	11,876,800	5,536,738

The personnel cost as of December 31, 2023, amounts to a total of 11,877 thousand Euro, representing an increase of 6,340 thousand Euro compared to December 31, 2022. The main reason for this significant increase is attributed to the non-recurring event related to the exercise of stock option rights for the subscription of shares of Civitanavi Systems S.p.A. by eligible employees under the plan originally implemented by Civitanavi Systems Ltd. For this, a cost of 4,450,500 Euro has been recorded. It should be noted 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.

Additionally, a cost of 89 thousand Euro has been incurred in reference to the Stock Option Plan 2023 implemented by Civitanavi Systems S.p.A., as described in paragraph 6 “Stock Option Plans”, which is referred to.

Excluding the effects of the two plans, the personnel cost amounts to 7,307 thousand Euro, mainly increasing due to new hires during the period. Furthermore, during the period, Salaries and Wages totaling 1,709 thousand Euro have been capitalised (accounted for by nature) related to the personnel cost incurred in Development projects. Refer to note 7.1 “Intangible Assets” in this document.

In December 2023, a provision for the product warranty fund of 30 thousand Euro was made to cover future expenses related to the repair of defective products under legal warranty.

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

<i>Exact number</i>	31.12.2023	31.12.2022
Blue-collar workers	60	50
White-collar workers	110	87
Middle managers	11	9
Executives	2	2
Total employees	183	148

<i>Average number</i>	31.12.2023	31.12.2022
Blue-collar workers	55	43
White-collar workers	99	82
Middle managers	10	8
Executives	2	2
Total employees	166	135



8.5 Service Costs

The following table provides a breakdown of service costs for the periods ended on 31 December 2023 and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Utilities, cleaning services, and security services	240,281	213,799
Maintenance	323,617	42,914
Transport	214,827	137,948
Consultancy	1,781,154	2,398,825
Technical services	1,594,940	1,145,411
Travel and accommodation services	359,581	269,986
External processing	464,914	123,458
Marketing and trade fairs	237,281	162,507
Insurance	198,161	119,406
Canteen	229,552	169,312
Commissions	60,872	55,122
Remuneration of BoD*	617,883	462,086
Remuneration of the audit firm*	64,346	39,255
Remuneration of the board of auditors*	31,200	27,733
Remuneration of supervisory body*	9,568	4,186
Remuneration of internal audit*	25,116	27,327
Other services	218,977	103,656
Service costs	6,672,269	5,502,933

* including reimbursement of expenses and other charges

In the line item of service costs, totaling 6,672 thousand Euro, mainly include costs related to consultancy and technical and professional services, outsourced work, maintenance, utilities, cleaning services, and other services.

The increase in transportation costs, technical services, and outsourced work reflects the expected increase in revenue for the current year. Meanwhile, consultancy costs show a decrease compared to the previous year since in 2022, they included costs related to the IPO listing, completed in February 2022.

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

8.6 Other operating costs

The table below provides a breakdown of other operating costs for the years ended 31 December 2023 and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Costs relating to leases, rentals and licences	281,490	169,407
Taxes and duties	54,267	18,288
Association fees and charity	20,676	24,170
End-of-mandate indemnity for Directors	20,000	20,000
Other minor	14,695	9,762
Other operating costs	391,127	241,627

Other operating costs amounted to 391 thousand Euro as of December 31, 2023, an increase compared to 242 thousand Euro recorded as of December 31, 2022.

This item is primarily composed of the following items:

- Lease costs amounting to 281 thousand Euro (compared to 169 thousand Euro as of December 31, 2022), including rentals related to leases of assets excluded from the scope of IFRS 16 (short-term and low-value leases);
- Taxes and duties amounting to 54 thousand Euro (compared to 18 thousand Euro as of December 31, 2022);
- Association fees and charity totaling 21 thousand Euro (compared to 24 thousand Euro as of December 31, 2022);
- End-of-mandate indemnity for Directors, amounting to 20 thousand Euro as of both December 31, 2023, and 2022.

8.7 Write-downs of net financial assets

Write-downs of net financial assets amounting to 42 thousand Euro and 56 thousand Euro respectively as of December 31, 2023, and December 31, 2022, relate to the impairment of trade receivables, as detailed below.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Provisions and write-downs of receivables current assets	42,351	55,875
Write-downs of net financial assets	42,351	55,875



The provisions for the year result from the calculation of the Credit Impairment Reserve carried out in accordance with IFRS 9, as well as the Probability of Default for the year and the reference sector.

8.8 Amortisation and depreciation and write-downs

The table below shows the detailed statement of amortisations/depreciations and write-downs for the financial years that ended on 31 December 2023 and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Amortisation and write-downs of intangible assets	305,135	204,752
Amortisation and write-downs of tangible assets	1,261,107	649,951
Amortisation and write-downs of right-of-use assets	228,767	164,782
Amortisation and depreciation and write-downs	1,795,009	1,019,485

Amortisation and depreciation and write-downs amount to 1,795 thousand Euro as of 31 December 2023, marking an increase of 776 thousand Euro compared to 1,019 thousand Euro as of 31 December 2022. This increase, mainly attributable to the depreciation and impairments of tangible assets, is justified by the acquisition of new durable goods, resulting in the growth of the Group's depreciable base, reflecting the investments made and business expansion.

Additionally, as previously stated in note 7.3 "Tangible assets" referred to, following the early termination of the lease contract for the Pedaso (FM) headquarters in anticipation of the upcoming move to the new building, management has revised the useful life of some assets that will not be transferred to the new building, aligning it with the lease contract expiration. This analysis led to an increase in depreciation of 78 thousand Euro.

8.9 Financial income and expenses

The table below shows the detailed statement of financial income for the financial years that ended on 31 December 2023 and 31 December 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Interest receivable	259,217	8,487
Net foreign currency profits	359,012	358,687
Income from derivative contracts	0	9,400
Revaluation of financial investments	96,522	30
Other financial income	39,005	6,317
Financial income	753,755	382,921

The Financial Income item is recorded for a total of 754 thousand Euro, showing an increase of 371 thousand Euro compared to December 31, 2022. This increase is primarily attributable to the rise in active bank interests, amounting to 259 thousand Euro, and the increase in the revaluation of investments in financial assets recorded following the adjustment to fair value as of December 31, 2023, which was negligible in the previous fiscal year.

The table below presents the detailed breakdown of financial expenses for the years ended December 31, 2023, and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Interests on bonds loans or loans	110,969	76,313
Bank interests	2,640	2,998
Net foreign currency losses	386,905	156,341
Interests on lease liabilities	78,867	38,985
Interests on the discount of benefit schemes	29,996	15,991
Capital losses on financial investments	2,876	6,553
Write-down of financial investments	0	125,253
Expenses for derivative contracts	0	5,506
Other financial expenses	0	5
Financial expenses	612,252	427,946

Financial expenses amounted to 612 thousand Euro as of December 31, 2023, an increase of 184 thousand Euro compared to the previous fiscal year, primarily due to net losses on exchange rates, which amount to 387 thousand Euro compared to 156 thousand Euro as of December 31, 2022. This increase can be attributed to the fluctuating trends in the Euro and US Dollar exchange rates.



8.10 Income taxes

The following table provides the detailed breakdown of income taxes for the periods ended on December 31, 2023, and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Current taxes	(1,374,113)	(1,976,829)
Deferred taxes	(176,263)	(297,030)
Taxes relating to previous financial years	2,735	1,310,284
Income taxes	(1,547,642)	(963,575)

Income taxes amount to 1,548 thousand Euro, compared to 964 thousand Euro as of December 31, 2022.

It is worth noting that the benefit related to prior-year taxes recognised in 2022 was primarily related to the recognition of the Patent Box pertaining to the tax years 2017-2021, amounting to 1,327 thousand Euro, following the ruling agreement with the Revenue Agency signed in December 2022.

The table below provides a reconciliation of the theoretical tax rate with the actual impact on pre-tax income for the years ended December 31, 2023, and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Profit before taxes	5,919,279	7,938,525
Theoretical rate	24%	24%
Theoretical tax burden	(1,420,627)	(1,905,246)
Tax effects of non-taxable revenues	103,013	41,868
IRAP (Regional Income Tax)	(318,736)	(369,950)
ACE (Aid for Economic Growth)	206,726	0
Tax effect of non-deductible costs	(315,385)	(151,073)
Tax benefit from re-measurement	287,300	287,300
Tax loss	103,257	0
IRES tax benefit from Patent Box previous years	0	1,111,301
IRES tax effect IPO expenses charged to equity	0	581,388
Other	(131,848)	(559,163)
Effect of foreign consolidated companies	(61,344)	0
Income taxes	(1,547,642)	(963,575)

8.11 Earnings per share (EPS)

The table below shows the statement of earnings per share for the financial years that ended 31 December 2023 and 2022.

<i>(in Euro and in units)</i>	31.12.2023	31.12.2022
Net result	4,371,637	6,974,949
Weighted average number of shares entitled to profits	30,753,200	30,760,000
Basic earnings per share	0.14	0.23
Diluted earnings per share	0.14	0.23

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. Please refer to paragraph 9 “Transactions with Related Parties” included in the notes to the Annual Financial Statements of the Parent Company Civitanavi Systems S.p.A.

The procedure for transactions with related parties adopted by the company is available on the website at the link www.civitanavi.com, under the Governance, Documents, and Procedures section.

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

The remuneration as of December 31, 2023, payable to the Board of Directors, consisting of seven members, amounts to 552 thousand Euro. The accrued remuneration for the Board of Statutory Auditors as of December 31, 2023, amounts to 30 thousand Euro.



11. Auditor's Fees

The fees as of December 31, 2023, payable to the current audit firm for conducting the statutory audit for the years 2021-2029 of the Parent Company amount to 50 thousand Euro (fee related to limited semi-annual review, annual review, and consolidated financial statements). Additionally, the fees payable to the audit firm tasked with performing the statutory audit for the year 2023 of the English subsidiary amount to 8 thousand Euro. Further fees paid for “Audit-related activities” amount to 4 thousand Euro, relating to the attestation of the R&D tax credit. No “Non-Audit related activities” were conducted.

12. Commitments and risks

The Parent Company has bank guarantees in place to secure commitments made for contractual obligations with a total guaranteed amount of USD 2,748 thousand towards a foreign client company and 14 thousand Euro towards Italian companies and Public Administrations. Additionally, the Parent Company has issued a guarantee related to the lease agreement of the property where the company is headquartered, with a guaranteed value of 50 thousand Euro.

13. Situation of conflict and instability in the world

In light of the continuing Russia-Ukraine crisis and the Israeli-Palestinian conflict, although there are no trade relations with the Russian Federation or the parties involved in the conflict in Israel, the Group continues to constantly monitor the situation in order to mitigate the short- and medium-term effects. In particular, considering the instability and uncertainty of logistics chains, the Group has promptly implemented meticulous planning of its material and component needs by ensuring adequate supply conditions in time.

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

It is specified that the Group does not have any assets intended exclusively for a specific transaction pursuant to Article 2447 bis, letter a) of the Italian Civil Code.

15. Information on agreements not resulting from the balance sheet

The Group does not have agreements not resulting from the Balance Sheet pursuant to Article 2427, first paragraph, no. 22 ter of the Italian Civil Code.

16. Research and development activities

The R&D activity carried out by the Group is aimed at both introducing new products and implementing new production processes. The activity is divided into different phases, ranging from the conception and initiation of the design process for the new product or process to large-scale industrialisation. For further details, please refer to the relevant section of the Management Report.

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

There are no significant events subsequent to the end of the financial year.

Pedaso, 14 March 2024

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	(256,910)	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	(907,725)	30%

Changes in consolidation scope between 1 January 2023 and 31 December 2023:

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



Statement of the Manager in charge for financial reporting

Statement on the consolidated financial statement pursuant to art. 81-ter of Consob Regulation n. 11971 from 14 May 1999 and subsequent amendments and integrations

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 Consolidated financial statements as at 31 December 2023.
2. We also attest that:
 - 2.1 the Consolidated 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 Directors' Report on Operation includes reliable analysis on the performance, result of operations and the business of the issuer and the companies included in the scope of consolidation, as well as description of principal risks and uncertainties to which are exposed.

Pedaso, 14 marzo 2024

Andrea Pizzarulli

Letizia Galletti

Chief Executive Officer

Manager in charge for financial reporting



Independent Auditors' report on consolidated financial statements as at 31 December 2023

Independent auditor's Report

pursuant to article 14 of Legislative Decree no. 39, dated January 27, 2010 and article 10 of EU Regulation no. 537/2014

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

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Civitanavi Systems Group (the "Group"), which comprise the consolidated statement of financial situation as at December 31, 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree no. 38/05.

Basis for opinion

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

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

Key audit matters

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

Key audit matter	Audit response
<p>VALUATION OF ASSETS FOR WORK IN PROGRESS ON ORDER</p> <p>As at December 31, 2023 the financial statements of financial position include Assets for work in progress on order for euro 27.651 thousand, Advance payments on assets for work in progress for euro 25.901 thousand and Operating revenues for euro 45.041 thousand, of which euro 4.492 thousand from changes in Assets for work in progress on order.</p> <p>Assets for work in progress on order are recognized using the percentage of completion method for measuring progress.</p> <p>The application of this method requires the prior estimate of the entire life costs and revenues of the projects and their updating at each balance sheet date, through the use of assumptions by the Management. These assumptions can be affected by many factors such as, for example, the time span of several financial years over which the projects are developed, the high technological level and the innovative content of the same, the performance guarantees upon completion of the project. These facts and circumstances make it difficult to estimate the costs to complete the projects and, consequently, to estimate the value of assets for work in progress on order at the balance sheet date.</p> <p>In consideration of the significance of the Assets for work in progress on order compared to the total assets of the Company and the complexity of the assumptions used in estimating the costs to complete of the contracts, we considered the valuation of the Assets for work in progress on order a key audit matter of the audit review of the financial statements of the Company as December 31, 2023.</p> <p>Information regarding the Assets for work in progress on order is provided in the notes to the financial statements “7.8 Assets for work in progress on order / Advance payments on assets for work in progress”, “8.1 Operating revenues” and General drafting principles.</p>	<p>Our audit procedures in response to the key audit matter identified included the following:</p> <ul style="list-style-type: none"> ▪ interviews with Management; ▪ understanding of the criteria and procedures adopted by the Management for determining the percentage of completion of projects; ▪ understanding of controls relating to both initial estimates and subsequent periodic updates of revenues and costs at completion and to complete of projects; ▪ for a sample of ongoing contracts: <ul style="list-style-type: none"> ○ analysis of contracts with clients in order to verify that the relevant contractual aspects have been adequately considered in the assessments made by the Management; ○ analysis of the reasonableness of the assumptions underlying the estimates of total contract revenues and costs through discussion with the project controller; ○ analysis of the most significant discrepancies between the previous year contract budgets and the current year actual figure and discussing the findings with the project controller; ○ analysis of the project costs already incurred; ▪ assessing the appropriateness of the disclosures provided in the annual financial report about Assets for work in progress on order.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Parent Company

Civitanavi Systems S.p.A. or to cease operations, or has no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

Other information communicated pursuant to article 10 of Regulation (EU) no. 537/2014

We were initially engaged by the shareholders meeting of Civitanavi Systems S.p.A. on October 13, 2021 to perform the audits of the financial statements of each fiscal year starting from December 31, 2021 to December 31, 2029. The engagement was supplemented with the engagement letter of September 18, 2023 on the audits of the consolidated financial statements of each fiscal year starting from December 31, 2023 to December 31, 2029.

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

We confirm that the opinion on the consolidated financial statements of Civitanavi Systems S.p.A. included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation no. 537/2014, submitted to Those charged with governance.

Reports on other legal and regulatory requirements

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

The Directors of Civitanavi Systems S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF - European Single Electronic Format) (hereinafter the “Delegated Regulation”) to the consolidated financial statements at December 31, 2023, to be included in the Annual financial report.

We have performed the procedures required under Auditing Standard (SA Italia) no. 700B in order to express an opinion on the compliance of the consolidated financial statements at December 31, 2023 to the requirements of the Delegated Regulation.

In our opinion, the consolidated financial statements at December 31, 2023 have been prepared in XHTML format and have been marked-up, in all material respects, in compliance to the requirements of Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, (e), of Legislative Decree no. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree no. 58, dated 24 February 1998

The Directors of Civitanavi Systems S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Civitanavi Systems S.p.A. as at December 31, 2023, including their consistency with the consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph 4, of Legislative Decree no. 58/98, with the consolidated financial statements of Civitanavi Systems Group as at December 31, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the consolidated financial statements of Civitanavi Systems Group as at December 31, 2023 and are compliant with applicable laws and regulations.



With reference to the assessment pursuant to article 14, paragraph 2, (e), of Legislative Decree no. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, march 29, 2024

BDO Italia S.p.A.
Gianmarco Collico
Partner

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

Financial Statement as at 31 December 2023 of Civitanavi Systems S.p.A.

Statement of financial situation

<i>(in Euro)</i>	Notes	As at 31 December 2023	<i>of which with related parties</i>	As at 31 December 2022	<i>of which with related parties</i>
ASSETS					
Non-current assets					
Intangible assets	7.1	4,609,468	17,274	2,444,787	
Right of use assets	7.2	517,585		707,371	
Tangible assets	7.3	8,789,530	136,274	6,748,653	369,476
Investments in subsidiaries and other financial assets	7.4	2,890,481	2,890,481	61,665	11,664
Deferred tax assets	7.5	2,342,754		2,522,166	
Total non-current assets		19,149,818		12,484,641	
Current Assets					
Inventories	7.6	10,187,484	1,072,566	7,529,428	
Trade receivables	7.7	8,326,070	128,687	11,051,575	60,603
Assets for work in progress on order	7.8	27,478,136		23,158,643	
Other receivables and current assets	7.9	2,615,522	121,114	3,838,306	
Current financial assets	7.10	4,811,412		654,324	
Cash and cash equivalent	7.11	24,251,159		25,921,022	
Totale attività correnti		77,669,783		72,153,297	
TOTAL ASSETS		96,819,601		84,637,938	

<i>(in Euro)</i>	Notes	As at 31 December 2023	<i>of which with related parties</i>	As at 31 December 2022	<i>of which with related parties</i>
Share capital		4,244,000		4,244,000	
Reserves		43,216,570		35,490,594	
Net result		5,164,140		6,974,949	
Total net equity	7.12	52,624,710		46,709,543	
Non-current liabilities					
Non-current financial liabilities	7.13	4,494,344		923,523	
Non-current lease liabilities	7.2	379,960		708,323	
Deferred tax liabilities	7.5	58,111		52,632	
Defined benefit schemes	7.14	1,013,267	110,232	822,367	85,593
Provisions for risks and charges	7.15	296,700		0	
Other non-current payables and liabilities	7.18	360,054			
Total non-current liabilities		6,602,436		2,506,845	
Current liabilities					
Current financial liabilities	7.13	1,075,710		271,406	
Current lease liabilities	7.2	150,638		149,854	
Trade payables	7.16	5,297,859	162,484	7,515,577	68,592
Advance payment on assets for work in progress	7.8	25,901,463		22,128,827	
Tax payables	7.17	448,857		243,625	
Other current payables and liabilities	7.18	4,717,928	202,211	5,112,261	80,981
Total current liabilities		37,592,455		35,421,550	
TOTAL LIABILITIES AND NET EQUITY		96,819,601		84,637,938	



Income Statement

<i>(in Euro)</i>	Notes	2023	<i>of which with related parties</i>	2022	<i>of which with related parties</i>
Operating revenues	8.1	44,868,794		34,131,554	
Other revenues and income	8.2	1,177,620	68,084	280,377	62,738
Total Revenues		46,046,414		34,411,930	
Raw material costs and change in inventories	8.3	19,060,969	74,033	14,071,723	772,094
Personnel costs	8.4	11,567,558	357,168	5,536,738	330,081
Service costs	8.5	6,558,457	850,000	5,502,933	616,858
Other operating costs	8.6	377,829	20,304	241,627	5,255
Write-downs of net financial assets	8.7	42,351		55,875	
Amortisation and depreciation and write-downs	8.8	1,737,288		1,019,485	
Operating profit		6,701,963		7,983,549	
Financial income	8.9	748,779		382,921	
Financial expenses	8.9	(735,234)		(427,946)	
Profit before taxes		6,715,508		7,938,525	
Income taxes	8.10	(1,551,368)		(963,575)	
Net result		5,164,140		6,974,949	
Basic earning (loss) per share	8.11	0.17		0.23	
Basic earning (loss) per share	8.11	0.17		0.23	

Statement of Comprehensive Income

<i>(in Euro)</i>	Notes	2023	2022
Net result		5,164,140	6,974,949
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	118,301	(60,976)
Total other components of the comprehensive income statement		118,301	(60,976)
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	(59,031)	182,932
Total other components of the comprehensive income statement		(59,031)	182,932
Comprehensive net result		5,223,411	7,096,905

Statement of Changes in Equity

(in Euro)	Notes	Share Capital	Reserves										Net result	Total net equity
			Legal reserve	Share premium reserve	Extraordinary reserve	Reserve for own shares	Stock option reserve	Other reserves	EU-IFRS first-time adoption reserve	Cash flow hedge instruments reserve	Actuarial profits and losses reserve	Retained earnings (losses)		
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	4,878,619	18,303,411
Net result													6,974,949	6,974,949
Total other components of the comprehensive income statement										(60,976)	182,932			121,955
<i>Comprehensive net result</i>										<i>(60,976)</i>	<i>182,932</i>		<i>6,974,949</i>	<i>7,096,905</i>
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
Other movements														0
IPO costs net of tax effect				(1,730,772)										(1,730,772)
31 December 2022	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	6,974,949	46,709,543
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	6,974,949	46,709,543
Net result													5,164,140	5,164,140
Total other components of the comprehensive income statement										118,301	(59,031)			59,271
<i>Comprehensive net result</i>										<i>118,301</i>	<i>(59,031)</i>		<i>5,164,140</i>	<i>5,223,411</i>
Allocation of the net result of the previous year			348,747		2,551,241			76,161					(2,976,149)	0
Other movements				341,455		(192,564)	4,541,666							
Dividends distributed													(3,998,800)	(3,998,800)
31 December 2023	7.12	4,244,000	692,678	17,906,683	17,640,544	(192,564)	4,541,666	76,161	(32,454)	37,633	32,341	2,513,883	5,164,140	52,624,710



Statement of Cash Flows

<i>In Euro</i>	Notes	As at 31 December 2023	<i>of which with related parties</i>	As at 31 December 2022	<i>of which with related parties</i>
Net result		5,164,140		6,974,949	
- Adjustments for:					
Income taxes	8.10	1,551,368		963,575	
Amortisation and depreciation and write-downs	8.7 - 8.8	1,737,288		1,019,485	
Provisions for risks and charges	7.15	296,700		0	
Capital losses/(gains) on disposal	8.2 - 8.6	310		2,014	
Financial expenses/(income)	8.9	(11,045)		45,024	
Other non-monetary changes		4,875,131	18,752	154,095	57,170
Cash flow generated/(absorbed) by operating activities before changes in net working capital		13,613,892		9,159,143	
Change in inventories	7.6	(2,758,056)	(1,072,566)	(2,093,144)	768,753
Change in trade receivables	7.7	2,683,153	(68,084)	(1,471,720)	(60,603)
Change in Assets for work in progress on order and Advance payments on work in progress	7.8	(546,857)		1,689,953	
Change in trade payables	7.16	(2,217,718)	93,891	4,174,686	(81,289)
Change in trade payables	7.9 - 7.18	145,620	115	1,309,573	31,880
Cash flow generated / (absorbed) by operating activities		10,920,034		12,768,492	
Change in provisions for risks and Defined benefit schemes	7.14	(151,581)		(34,413)	
Taxes paid	8.10	0		(603,900)	
Net cash flow generated/(absorbed) by operating activities (A)		10,768,452		12,130,179	
Investments/Disposals in fixed assets	7.3	(3,294,389)	(136,274)	(5,346,125)	(369,476)
Investments/Disposals in intangible assets	7.1	(2,454,348)	(17,274)	(1,718,646)	
Incomings of financial credits towards controlled companies and other financial activities	7.4	(603,091)	(603,091)	(11,664)	(11,664)
Investments in equity and securities	7.4	(2,222,338)	(2,269,839)	0	
Net cash flow generated/(absorbed) by investing activities (B)		(8,574,166)		(7,076,435)	
Accruals of financial debts	7.13	4,985,016		25,422	
Loans repayment	7.13	(542,060)		(2,746,853)	
Capital contributions	7.12	0		21,309,228	
Share premium reserve adjustment	7.12	341,455		0	
Change in current financial liabilities	7.12	(145,322)		0	
Dividends paid	7.12	(3,998,800)		0	
Buyback of company shares	7.12	(192,564)		0	
Repayment of lease liabilities	7.2	(254,412)		(148,225)	
(Financial expenses paid)/Financial income collected	8.9	99,626		16,806	
Financial assets	7.10	(4,157,088)		691,717	
Net cash flow generated/(absorbed) by financial activity (C)		(3,864,150)		19,148,094	
Total change in cash and cash equivalents (A)+(B)+(C)		(1,669,863)		24,201,838	
Cash and cash equivalents at the beginning of the year		25,921,022		1,719,184	
Total change in cash and cash equivalents		(1,669,863)		24,201,838	
Cash and cash equivalents at the end of the year		24,251,159		25,921,022	



NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2023

1. General Information

Civitanavi Systems S.p.A. (hereinafter referred to as the “**Company**”) is one of the main players in the high-tech navigation and inertial stabilisation systems sector. The parent company, Civitanavi Systems S.p.A. (also referred to as the “**Company**”), is a company incorporated and domiciled in Italy, with its registered office in Pedaso (FM), Via del Progresso No. 5, organized according to 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 in circulation on the stock market (float), of which 5.09% is held by Athena Spa. The shares traded on the stock market are listed on the Euronext Milan market.

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

It is clarified that the Swiss company is not part of any group, and during 2023, there were no transactions between Civitanavi Systems S.p.A. and Civitanavi Systems Ltd except for transactions related to the exercise of the Stock Option Plan of Civitanavi Systems Ltd. For further details, please refer to paragraph 6 of the explanatory notes to this financial statement. It is also specified that the Company does not own any shares or stakes in the parent company, either directly or through trust companies or nominees.

2. Summary of the accounting standards adopted

2.1 Basis of preparation

The financial statements for the year ended December 31, 2023 (hereinafter referred to as the “December 31, 2023 Financial Statements”) have been prepared by the Company in accordance with International Financial Reporting Standards (hereinafter also referred to as “IFRS”)

The consolidated financial statements have been prepared in Inline xHTML format in accordance with the provisions of Commission Delegated Regulation (EU) 2019/815 regarding technical regulatory standards for specifying the single electronic reporting format (ESEF - European Single Electronic Format – “Delegated Regulation”)

No unusual, unusual, and/or significant non-recurring operations or events occurred during the year.

Below are the main criteria and accounting principles applied in preparing the December 31, 2023 Financial Statements.

2.2 Declaration of compliance with international accounting standards

The December 31, 2023 Financial Statements are prepared in accordance with the International Financial Reporting Standards endorsed by the European Commission and in effect at the same date. EU-IFRS encompasses all International Financial Reporting Standards (IFRS), all International Accounting Standards (IAS), and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

2.3 General principles

The Financial Statements as of December 31, 2023 consist of the mandatory financial statements required by IAS 1, namely the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows, along with the explanatory notes, and are accompanied by the Board of Directors' report on the performance of management.

The Company has chosen to present the income statement by nature of expenses, while assets and liabilities in the statement



Separate Financial Statements as at 31 December 2023

of financial position are classified as current and non-current. The statement of cash flows is prepared using the indirect method, with the classification of cash flows into operating, investing, and financing activities. The formats used are those that best represent the economic, financial, and equity position of the Company.

For the classification criteria of current and non-current assets and liabilities, please refer to indication in the notes to the consolidated financial statements as at 31 December 2023.

The Financial Statements as of December 31, 2023 have been prepared in Euros. The financial statements, balance sheets, income statements, notes to the financial statements, and explanatory tables are expressed in Euros, except where otherwise indicated.

The Financial Statements as of December 31, 2023 have been prepared:

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

2.4 Accounting standards and measurement criteria

The accounting policies and criteria are the same adopted, where applicable, for the annual consolidated financial statements, to which reference is made, except for the recognition and measurement of equity investment in subsidiaries and associates recognised at their purchase or incorporation cost, net of any impairment loss.

An investment is impaired when its carrying amount exceeds its recoverable amount. The carrying amounts of investments are subject to valuation whenever there are clear indicators, internal or external to the enterprise, that the value of the investment may be impaired.

Specifically, the indicators analysed to assess whether an investment is impaired are as follows:

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

The *impairment test* consists of comparing the carrying amount and the recoverable value of the investment. If the recoverable amount of an investment is less than the carrying amount, the latter is reduced to the recoverable amount. This reduction is an impairment loss to profit and loss. The recoverable amount of an investment is identified as the greater between fair value or value in use. The value in use of an equity investment is determined by discounting prospective cash flows of the equity investment. Value in use reflects the effects of factors that may be entity-specific, factors that may not be applicable to any one entity. If the conditions for a previously made impairment loss are no longer met, the carrying value of the investment is reinstated to income, within the limits of the original cost.

Dividends from subsidiaries and associates are recognised in the income statement in the year in which they are decided.

3. Recently issued accounting standards

The accounting standards adopted in preparing the financial statements for the year ended 31 December 2023 are consistent with those applied in preparing the financial statements for the year ended 31 December 2022, except for the adoption of new principles effective from 1 January 2023. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet in effect. Several amendments are applied for the first time in 2023, but they do not have significant impact on the Company's financial statements. Please refer to the section "Recently Issued Accounting Standards" in the notes to the Consolidated Financial Statements.



4. Estimates and assumptions

For the indication of those areas that require greater subjectivity from the Directors in making estimates and for which a change in the underlying conditions of the assumptions used could have a significant impact on the Company's financial results, please refer to paragraph "Estimates and assumptions" in the notes to the Consolidated Financial Statements.

5. Management of financial risks

For more details, please refer to the "Major Risks and Uncertainties" section of Directors' Report on Operations.

6. Stock Options Plans

In the course of the exercise, the Company has recorded the accounting effects of two stock option plans for the benefit of administrators, executives, and employees as indicated to paragraph "Stock Options Plans" in the notes to the Consolidated Financial Statements.

7. Notes to the statement of financial situation

7.1 Intangible assets

The following table shows the breakdown and changes in intangible assets for the year ended 31 December 2023 and for the year ended 31 December 2022.

<i>(in Euro)</i>	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	1,974,868	3,680,122
Investments	359,761	269,891		1,824,696	2,454,348
Reclassifications	136,191			(136,191)	0
Decreases					0
Historical Cost on 31 December 2023	995,494	1,470,142	5,460	3,663,374	6,134,470
Amortisation provision on 31 December 2022	164,808	1,065,068	5,460		1,235,335
Amortisation	136,356	153,312			289,667
Decreases due to transfers and disposals					0
Amortisation provision on 31 December 2023	301,163	1,218,380	5,460		1,525,003
Net carrying amount on 31 December 2022	334,735	135,183	0	1,974,868	2,444,787
Net carrying amount on 31 December 2023	694,331	251,762	0	3,663,374	4,609,468

At December 31, 2023, intangible assets amount to 4,609 thousand Euro and mainly consist of Development Costs for 694 thousand Euro, Concessions, licenses, trademarks, and similar rights amounting to 252 thousand Euro, and Work in progress for 3,663 thousand Euro.

Concessions, licenses, trademarks, and similar rights refer to avionic software, management software, and generic software aimed at supporting the business through the continuous renewal and modernisation of technological platforms. These largely consist of software licenses for computers.

The item Development Costs of 694 thousand Euro refers to the capitalisation of internal development projects completed in the year and the commencement of the amortisation period.

The intangible assets in progress and advances item includes the capitalisation of costs related to internal development projects still ongoing at the closing date of the financial year.

For further details on the main development projects, please refer to the specific section contained in the Management Report of this document.

Depreciation for the year is accounted for in the appropriate line item of the income statement and amounts to 290 thousand Euro.



During the current financial year, there were no indications of possible impairment losses relating to intangible assets. Furthermore, no intangible assets with indefinite useful lives are recognised in the balance sheet.

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

The main balance sheet information related to lease agreements held by the Company, which primarily acts as a lessee, is presented in the table below

<i>(in Euro)</i>	31.12.2023	31.12.2022
Net carrying amount of right-of-use assets (property)	354,083	699,936
Net carrying amount of right-of-use assets (vehicles)	50,024	7,435
Net carrying amount of right-of-use assets (server)	113,477	0
Total carrying amount of right-of-use assets	517,585	707,371
Current lease liabilities	150,638	149,854
Non-current lease liabilities	379,960	708,323
Total lease liabilities	530,598	858,177

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

<i>(in Euro)</i>	31.12.2023	31.12.2022
Amortisation of right-of-use assets (property)	171,073	157,953
Amortisation of right-of-use assets (vehicles)	21,114	6,829
Amortisation of right-of-use assets (server)	1,923	0
Total amortisation of right-of-use assets	194,110	164,782
Interest payable for leases	68,866	38,985
Property lease fees	229,045	180,238
Vehicles lease fees	23,236	6,972
Server lease fees	2,132	0
Total cash flows for leases	254,412	187,210

At December 31, 2023, the right-of-use assets relate to various agreements, including the lease of a property used as the main office in Pedaso (FM), another property in Casoria (NA), and two contracts for the use of accommodations: one in Porto San Giorgio (FM) and the other in Pedaso (FM). Additionally, in the course of 2023, new contracts were entered into in accordance with IFRS 16, including the lease of a property in Turin (TO), three car rental agreements, and a contract for a datacenter. The latter was established to optimize the Company's IT infrastructure.

The value of the right-of-use assets decreased by 190 thousand Euro, as did the lease liabilities which decreased by 328 thousand Euro compared to December 31, 2022. This decrease is mainly attributable to the closure of the asset in Ardea, the termination of an employee car rental contract, and the remeasurement of the lease contract in Pedaso. The latter was carried out following the formal notification of the termination of the property lease contract, by the end of 2024, in preparation for the transfer to the new building intended to become the new Headquarters.

Depreciation of the right-of-use assets and lease interest expenses increased compared to December 31, 2022, with a larger impact on the income statement of 59 thousand Euro.

The major accounting changes in 2023 are related to the new contracts entered into during the year, as illustrated above.

The following table shows the values of the Group's lease liabilities at December 31, 2023.

<i>(In Euro)</i>	As at 31 December 2023				Carrying amount	Contract value
	within 1 year	between 1 and 2 years	between 3 and 5 years	over 5 years		
Lease liabilities	150,638	88,325	227,098	64,537	530,598	530,598

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 31 December 2023.



Separate Financial Statements as at 31 December 2023

<i>(in Euro)</i>	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	106,516	1,018,293	169,508	17,005	1,983,877	3,295,199
Disposals			(10,087)			(10,087)
Reclassifications	147,042	35,340			(182,382)	0
Historical cost on 31 December 2023	3,718,725	2,526,284	849,194	4,169,122	1,983,878	13,247,202
Amortisation provision on 31 December 2022	2,171,551	484,248	364,038	193,600	0	3,213,437
Amortisation	439,988	288,148	136,311	389,063		1,253,511
Disposals			(9,277)			(9,277)
Amortisation provision on 31 December 2023	2,611,539	772,396	491,073	582,663	0	4,457,671
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 31 December 2023	1,107,185	1,753,888	358,121	3,586,458	1,983,878	8,789,530

At December 31, 2023, Tangible Assets amount to 8,790 thousand Euro, representing a net increase of 2,041 thousand Euro compared to December 31, 2022.

The increase is primarily due to investments made during the year, totalling 3,295 thousand Euro, broken down as follows:

- investments of 107 thousand Euro in Plants and machinery, dedicated to the purchase of new machinery for production;
- investments of 1,018 thousand Euro in Industrial and commercial equipment, aimed at acquiring advanced equipment for product testing;
- investments of 170 thousand Euro in Other assets, such as furniture, furnishings, and electronic machines;
- additional investments have been recorded among Work in progress and advances for 1,984 thousand Euro, mainly related to refurbishment works on the new building intended to become the new Headquarters.

All these investments aim to increase the Group's production capacity. The net value of disposed tangible assets is insignificant.

During the current fiscal year, there were no indications of possible impairment losses for tangible assets. However, in light of the upcoming move to the new headquarters, management has recalculated the useful life of some assets that will not be transferred to the new building, aligning it with the end of the lease contract, resulting in an increase in depreciation of 78 thousand Euro. Depreciation for the year has been accounted for in the appropriate line item of the income statement, totalling 1,254 thousand Euro.

Furthermore, it is noted that as of December 31, 2023, there are no tangible assets owned encumbered by any type of guarantee provided to 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 31 December 2023 and 31 December 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Investments	2,275,726	1
Other Financial Assets	0	50,000
Financing to subsidiaries	614,755	11,664
Investments in associates and other financial assets	2,890,481	61,665

Equity in associates and other financial assets were valued at 2,890 thousand Euro as of December 31, 2023, compared to 62 thousand Euro recorded on December 31, 2022. The increase is primarily attributed to the acquisition of a 30% minority stake in PV Labs Ltd, valued at 2.5 million US dollars. In January 2023, the Company announced the signing of a binding agreement for the acquisition of this minority stake, which was finalised on May 5, 2023, under the previously communicated conditions, for a total of 2.5 million US dollars, equivalent to 2.27 million Euro. This agreement also includes a call option (non-binding) for the purchase of the remaining 70% of the capital, exercisable within a period of 5 years.

The decrease of 50 thousand Euro in Other financial assets is related to the redemption of 50 Cash Collect Certificates with 95% capital protection, issued by Unicredit for a total amount of 50 thousand Euro, subscribed in 2019, and maturing on November 20, 2023



Separate Financial Statements as at 31 December 2023

Within this category, we have recorded the interest-free loan extended to our subsidiary, Civitanavi Systems UK. The company has accounted for the loan using the amortised cost method, factoring in the accrued interest over time. As of December 31, 2023, the outstanding amount stands at 615 thousand Euro.

Below are the income statement and comprehensive income statement of the associate, PV Labs Ltd, for the period ended December 31, 2023:

<i>(In Euro thousands)</i>	31 December 2023
Total Revenues	449
Raw material costs and change in inventories	(454)
Service costs	(356)
Personnel costs	(1,264)
Other operating costs	(74)
Amortisations	(103)
Operating profit	(1,801)
Financial income/(expenses)	(51)
Income taxes	58
Net result	(1,795)
Net result	(1,795)
Other comprehensive income that will be subsequently reclassified to profit/(loss) of the period:	
Translation differences	(55)
Total other comprehensive income that will be subsequently reclassified to profit/(loss) of the period	(55)
Other comprehensive income that will not be subsequently reclassified to profit/(loss) of the period:	-
Total other comprehensive income (expenses)	(55)
Total comprehensive net result	(1,850)

The associate has no significant potential liabilities or commitments at the opening balance date, nor at December 31, 2023.

Impairment Test

The recoverability of the carrying amount of the investment has been assessed through an impairment test. The fair value was determined using the Discounted Cash Flow method, considering future cash flows discounted to present value, as outlined in the approved three-year Business Plan by the local management of the subsidiary, along with a terminal value calculated based on the projection of cash flows beyond the Business Plan horizon using a growth rate (g) of 1%. The discount rate (WACC) applied was 9.89%. Management, in estimating these assumptions, took into account current market conditions as well as its industry knowledge. No impairment indicators were identified from the analysis.

Additionally, a sensitivity analysis was conducted on the assumptions used for the impairment test, and no significant variations were reported compared to the results obtained. Specifically: (i) with a growth rate g of zero, under the same conditions, the fair value decreases by USD 0.3 million but remains higher than the carrying amount; (ii) with an increase of 200 basis points (2%) in the WACC, under the same conditions, the fair value decreases by USD 0.5 million but still exceeds the carrying amount; (iii) with a 10% decrease in the cash flows for each year of the plan, under the same conditions, the fair value decreases by USD 0.3 million but remains anyway higher than the carrying amount

For further details on the relationships with the subsidiary, please refer to Section 9 “Transactions with Related Parties”.

7.5 Deferred tax assets and deferred tax liabilities

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

<i>(in Euro)</i>	31.12.2023	31.12.2022
Losses on receivables	8,400	8,400
Unrealised foreign currency losses	9,640	799
Intangible assets - know-how and patents revaluation pursuant to (It.) DI 104/2020	2,011,100	2,298,400
Inventory depreciation provision	118,435	74,936
Financial derivative instruments	5,523	29,066
Actuarial Gains/(Losses)	18,641	0
<i>Right of use</i> - temporary differences	50,450	24,792
Tax losses	0	85,772
Provision for risks	85,242	0
Other temporary differences	35,323	0
Deferred tax assets	2,342,754	2,522,166

Deferred tax assets have been recognised as it is believed probable that taxable income will be generated against which they



Separate Financial Statements as at 31 December 2023

can be utilised.

During 2023, Deferred tax assets decreased by 179 thousand Euro, mainly attributable to the combined effect of the following significant movements:

- tax depreciation calculated for 2023, related to the tax benefit resulting from the revaluation under the provisions of Article 110 of Decree-Law 104/2020 (converted with amendments by Law 126/2020), carried out in the financial statements as of December 31, 2020, according to national accounting principles and subsequently derecognised upon first adoption of EU-IFRS;
- utilisation of a tax credit for tax loss of 86 thousand Euro, recognised as of 12/31/2022, following the recognition of a tax profit during 2023;
- recognition of the tax effect resulting from temporary differences for the inventory impairment provision of 118 thousand Euro and for the provision for risks of 85 thousand Euro;
- recognition of the tax effect resulting from temporary differences attributable to the valuation of lease contracts under IFRS 16 for 50 thousand Euro.

The table below provides a breakdown of deferred tax liabilities as at 31 December 2023 and 31 December 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Unrealised foreign currency gain	8,977	19,077
Lease – temporary differences	27,041	0
Defined benefit schemes	22,093	33,555
Deferred tax liabilities	58,111	52,632

The table below shows the composition of and changes in the gross value of deferred tax assets and deferred tax provisions for the year ended 31 December 2023.

<i>(in Euro)</i>	Balance as at 31.12.2022	Expenses (Income) to P&L	Other movements to OCI	Balance as at 31.12.2023
Losses on receivables	8,400	0		8,400
Unrealised foreign currency losses	799	8,841		9,640
Intangible assets - know-how and patents revaluation pursuant to (It.) DI 104/2020	2,298,400	(287,300)		2,011,100
Inventory depreciation provision	74,936	43,499		118,435
Financial derivative instruments	29,066		(23,543)	5,523
Actuarial Gains/(Losses)	0		18,641	18,641
Right of use - temporary differences	24,792	25,658		50,450
Tax losses	85,772	(85,772)		0
Provision for risks	0	85,242		85,242
Other temporary differences	0	35,323		35,323
Total deferred tax assets	2,522,166	(174,510)	(4,901)	2,342,754
Unrealised foreign currency gain	(19,077)	10,100		(8,977)
Defined benefit schemes	(33,555)	11,462		(22,093)
Lease – temporary differences	0	(27,041)		(27,041)
Total deferred tax liabilities	(52,632)	(5,479)	0	(58,111)
Total changes to IS		(179,989)		
Total changes to BS			(4,901)	

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

7.6 Inventories

The table below provides a breakdown of inventories as at 31 December 2023 and 31 December 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Finished products and other inventories	1,707,525	1,340,526
Raw materials, ancillaries and consumables	5,287,833	3,906,329
Unfinished and semi-finished products	2,465,047	1,863,562
Advance payments to suppliers	1,139,314	731,246
Gross inventories	10,599,719	7,841,663
Provision for inventory write-downs	(412,235)	(312,235)
Inventories	10,187,484	7,529,428

The Inventory item records a balance of 10,187 thousand Euro as of December 31, 2023, and 7,529 thousand Euro as of



Separate Financial Statements as at 31 December 2023

December 31, 2022. The inventory write-downs provision amounts to 412 thousand Euro as of December 31, 2023, and it has received an allocation of 100 thousand Euro during the year.

The significant increase in gross inventories, amounting to approximately 2,758 thousand Euro compared to the previous fiscal year, is necessary to meet sales demands and maintain an efficient supply chain of materials.

7.7 Trade receivables

The table below provides a breakdown of trade receivables as at 31 December 2023 and 31 December 2022

<i>(in Euro)</i>	31.12.2023	31.12.2022
Trade receivables from customers	8,431,192	11,182,429
Trade receivables from subsidiaries	128,687	60,603
Trade credits towards other related parties	0	0
Trade receivables (gross)	8,559,879	11,243,032
Provision for write-downs of trade receivables	(233,809)	(191,457)
Trade receivables	8,326,070	11,051,575

Trade receivables amount to 8,326 thousand Euro compared to 11,052 thousand Euro as of December 31, 2022.

The decrease in trade receivables is mainly attributed to the monthly turnover, which remained more stable during the year 2023, resulting in improved collection trends.

They represent credits for the supply of goods and services and are all short-term in nature, therefore the book value is comparable to the fair value at the date of preparation of this balance sheet.

The amount of impairments on receivables recorded in the balance sheet represents the reasonable estimate of the enduring loss of value identified against the specific risk of collectability identified in the receivables recorded in the balance sheet, as well as the expected loss of value.

The following table provides a breakdown of trade receivables as at 31 December 2023

<i>(in Euro)</i>	To expire	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due over 90 days	Total
Gross trade receivables on 31 December 2023	3,962,337	2,555,073	1,013,569	405,948	584,906	8,521,833
Invoices to be issued/Credit notes to be issued	38,046					38,046
Provision for write-downs of receivables					(233,809)	(233,809)
Trade receivables on 31 December 2023	4,000,383	2,555,073	1,013,569	405,948	351,097	8,326,070

The overdue beyond 90 days, gross of the Credit Impairment Reserve (amounting to 234 thousand Euro), amounts to 584 thousand Euro. Of these, 128 thousand Euro are attributable to the VAT credit related to a commercial credit previously written off as a loss, and 35 thousand Euro are related to a credit that has already been fully impaired. The remaining amount of 421 thousand Euro represents receivables from customers that management is monitoring and believes to be entirely recoverable. In accordance with Article 2427, number 6 of the Italian Civil Code, it is specified that there are no receivables due beyond 5 years.

Below are the changes in the write-downs made on trade receivables for the financial statements as at 31 December 2023:

<i>(in Euro)</i>	Provision for write-downs of trade receivables
Balance on 31 December 2022	191,457
Provisions	42,351
Uses	0
Balance on 31 December 2023	233,809

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

Assets for work in progress, amounting to 27,478 thousand Euro as of December 31, 2023, and 23,159 thousand Euro as of December 31, 2022, refer to the inventory of ongoing projects from multi-year contracts valued using the percentage of completion method.

Advance payments on assets for work in progress, totaling 25,901 thousand Euro as of December 31, 2023, and 22,129 thousand Euro as of December 31, 2022, represent advances received from clients for multi-year projects.



Separate Financial Statements as at 31 December 2023

The following table illustrates the net book value of work in progress assets.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Assets for work in progress on order	27,478,136	23,158,643
Advance payments on assets for work in progress	(25,901,463)	(22,128,827)
Net carrying amount of assets for work in progress on order	1,576,673	1,029,816

For more information on Assets for Work in Progress on order, please refer to Note 8.1 of this document and the Directors' Report on Operations.

7.9 Other receivables and current assets

The table below provides a breakdown of other receivables and current assets as at 31 December 2023 and 31 December 2022

<i>(in Euro)</i>	31.12.2023	31.12.2022
Tax and other receivables	1,973,297	3,273,960
Deferred expenses	332,157	275,063
Advance payments	188,954	289,284
Receivables from major shareholder	121,114	0
Other receivables and current assets	2,615,522	3,838,306

The tax credits and other credits primarily consist of:

- IRES credit amounting to 219 thousand Euro owed to the Treasury by the Group;
- Research and development (R&D) tax credit totaling 257 thousand Euro as of December 31, 2023, comprising the remaining portion of the R&D tax credit for 2021 of 56 thousand Euro, 132 thousand Euro for 2022, and 69 thousand Euro for 2023;
- VAT credit owed to the Treasury amounting to 287 thousand Euro as of December 31, 2023 (624 thousand Euro as of December 31, 2022);
- Q-Sing project credit of 225 thousand Euro as of December 31, 2023, nil as of December 31, 2022;
- Contribution credit under Law 808 of 384 thousand Euro as of December 31, 2023, nil as of December 31, 2022.

Accruals pertain to various types of prepaid payments and mainly include insurance premiums and fees related to IT/digital management.

Under Advances and prepayments, totaling 189 thousand Euro, advances paid to service providers during the fiscal year 2023 amount to 178 thousand Euro, and security deposits amount to 11 thousand Euro.

The credit towards the majority shareholder, amounting to 121 thousand Euro, reflects the credit accrued towards Civitanavi Systems Ltd as a result of Civitanavi Systems S.p.A. acting as a tax substitute in relation to the Stock Option operation. The amount will be paid by Civitanavi Systems Ltd when the Company is required to pay the relevant tax within the legal deadlines. Further details are available in Note 6 "Stock Option Plans".

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

7.10 Current financial assets

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

<i>(in Euro)</i>	31.12.2023	31.12.2022
Current financial assets	4,811,412	654,324
Current financial assets	4,811,412	654,324

As of December 31, 2023, Current Financial Assets amount to 4,811 thousand Euro, compared to 654 thousand Euro as of December 31, 2022. This item is mainly composed of:

- the fair value of investments in Mutual Investment Funds Sicav/Sicaf/ETF, held in custody at Unicredit S.p.A., amounting to 778 thousand Euro as of December 31, 2023 (compared to 648 thousand Euro as of December 31, 2022).
- the investment in BOTs (Treasury Ordinary Bills), subscribed in December as part of efficient liquidity management, for a total of 4,011 thousand Euro with maturity in January 2024.



Separate Financial Statements as at 31 December 2023

Both of these investments have been adjusted to their fair value as of December 31, 2023, generating a financial income of 97 thousand Euro. For further details, please refer to Note 8.9 “Financial Income and Expenses” of this document.

7.11 Cash and cash equivalent

The composition of the item Cash and cash equivalents as at 31 December 2023, compared with the situation as at 31 December 2022, is shown below:

<i>(in Euro)</i>	31.12.2023	31.12.2022
Bank and postal deposits	24,247,694	25,919,938
Cash in hand	3,465	1,084
Cash and cash equivalent	24,251,159	25,921,022

The amounts disclosed can be readily converted into cash, are not subject to constraints or restrictions, and are subject to an insignificant risk of value fluctuation.

The cash balances mainly consist of the balances of active current accounts.

Cash balances are recognised in the financial statements at nominal value and at the spot exchange rate at the end of the financial year, if in foreign currency.

Please refer to the “Cash Flow Statement” for a detailed analysis of the year's movements

It is also noted that the company has available and unused credit lines and unused overdraft facilities, amounting to 430 thousand Euro.

7.12 Net Equity

The following table provides a breakdown of net equity as at 31 December 2023 and 31 December 2022.

<i>(in Euro)</i>	31.12.2023	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	(192,564)	0
Stock option reserve	4,541,666	0
Other reserves	76,161	0
EU-IFRS first-time adoption reserve	(32,454)	(32,454)
Cash flow hedge instruments reserve	37,633	(80,668)
Actuarial profits and losses reserve	32,340	91,371
Retained earnings (losses)	2,513,883	2,513,883
Net result	5,164,140	6,974,949
Net Equity	52,624,710	46,709,543

For details of the movements, please refer to the “Statement of Changes in Net Equity”.

Share capital

As of December 31, 2023, the share capital, fully subscribed and paid-up, amounts to Euro 4,244,000 divided into 30,760,000 ordinary shares, without indication of nominal value and dematerialised. Each ordinary share of the Company entitles the holder to one vote at ordinary and extraordinary shareholders' meetings of the Company, as well as other administrative rights provided by applicable laws and the Corporate by Laws.

Below is a summary of the movement of the number of shares in circulation that occurred in the year 2023:

	Number of Ordinary Shares
Shares outstanding on 1 January 2023	30,760,000
Increase in Share Capital	0
Own shares	49,386
Shares outstanding on 31 December 2023	30,710,614

No classes of shares with voting or other rights other than ordinary shares were issued. No financial instruments granting the right to subscribe for newly issued shares were also issued.



Separate Financial Statements as at 31 December 2023

Share premium reserve

The share premium reserve amounts to 17,907 thousand Euro as of December 31, 2023, showing an increase compared to 17,565 thousand Euro as of December 31, 2022. The increase during 2023, amounting to 341 thousand Euro, is attributable to a portion of a tax credit recognised in 2023 for the costs of the listing (including placement commissions) incurred in 2022. These costs, totaling 1,731 thousand Euro, had previously been deducted from the share premium reserve, net of the tax effect, in accordance with the provisions of IAS 32.

Reserve for own shares

On 5th June 2023, Civitanavi Systems S.p.A. initiated the share buyback programme authorised by the Shareholders' Meeting on 27th April 2023 (the "Buyback Plan"). The programme will be valid until 5th October 2024, and envisages a maximum number of purchasable shares of 1,500,000 shares (equivalent to approximately 4% of the subscribed and paid-up share capital). The programme aims to provide the Company with a strategic investment opportunity as well as to launch the new stock option plan "CNS - Stock Option Plan 2023" for the members of the Board of Directors and employees of Civitanavi Systems S.p.A. and/or its subsidiaries. As of 31 December 2023, the Company holds 49,386 ordinary shares (0.16% of the share capital) with a value of Euro 192,564.

As of the date of this document, a total of 62,650 ordinary shares have been purchased (equivalent to 0.20% of the share capital), for a total consideration of Euro 247,262.

Stock option reserve

The stock option reserve represents the counterpart of the expense related to the exercise of the two Stock Option plans: 4,451 thousand Euro for the majority shareholder's Stock Option plan and 91 thousand Euro for the 2023 Stock Option plan. For further details, please refer to paragraph 6 "Stock Option Plans".

The reserve recorded in relation to the majority shareholder's Stock Option Plan is available and will be allocated to extraordinary reserves following a resolution by the shareholders at the approval of the 2023 annual financial statements, as indicated in the Proposal for the allocation of profits in the notes to the Financial Statements.

EU-IFRS first-time adoption reserve

The EU-IFRS first-time adoption reserve shows a negative balance of 32 thousand Euro 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 deferred tax effects, has been recorded against the negative fair value of derivatives at the closing date of this financial statement. The derivatives were entered into to hedge against the risk of exchange rate and interest rate fluctuations. For further information, please refer to Note 7.13 "Financial Liabilities (current and non-current)" and the section "Main Risks and Uncertainties" of the 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.

The following table shows the items of equity, specifying their source, potential uses and distribution, as well as their actual use in previous years.

<i>(in Euro)</i>	As at 31 December 2023	Origin/ nature	Possibility of use	Quota available	Distributable quota	Utilisation in the three previous financial years
Share capital	4,244,000	Capital	B			
Legal reserve	692,678	Profit	A;B			
Share premium reserve	17,906,682	Capital	A;B	17,750,561		-
Extraordinary reserve	17,640,545	Profit	A;B;C	7,940,545 ⁽¹⁾	3,582,839 ⁽²⁾	-
Reserve for own shares	(192,564)	Capital				-
Stock option reserve	4,541,666	Profit	A;B;C	4,450,500	4,450,500	-
Other reserves	76,161	Profit	A;B;C	76,161	76,161	-
EU-IFRS first-time adoption reserve	(32,454)	Capital				-



Separate Financial Statements as at 31 December 2023

Expected cash flow hedge instruments reserve	37,633	Profit			-
Retained earnings (losses)	32,340	Capital			-
Other reserves	2,513,883		A;B;C	2,513,883	2,513,883
Total	47,460,570			32,731,649	10,623,383

In the previous table, the potential uses for each item are provided as follows:

- A: for capital increase
- B: for loss hedging
- C: for distribution to the shareholders

⁽¹⁾ It should be noted that during 2020, the company availed itself of the opportunity to revalue its intangible assets, specifically a patent and the company's know-how, in compliance with Law No. 126/2020, and consequently, the related "Revaluation Reserve" was recorded as a tax deferral. As a result of the transition to international accounting standards, this reserve does not appear in the financial statements; however, in order to ensure the principle of tax neutrality, the tax deferral restriction is reinstated on part of the existing extraordinary reserve in the financial statements for an amount of 9,700 thousand Euro.

⁽²⁾ In consideration of Article 2426, paragraph 1, number 5.

7.13 Financial liabilities (current and non-current)

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

<i>(in Euro)</i>	31.12.2023		31.12.2022	
	Current quota	Non-current quota	Current quota	Non-current quota
Financing with credit institutions (a)	956,758	3,701,614	107,885	
Hedging derivative (b)		23,013	62,315	58,792
MISE financing (c)	97,452	738,980	95,542	836,432
Simest financing (d)	20,184	30,737	4,016	28,299
Payables for credit cards	1,315		1,649	
Total loans	1,075,710	4,494,344	271,406	923,523
Total current and non-current quotas	1,075,710	4,494,344	271,406	923,523
Financial liabilities	5,570,054		1,194,929	

The following table shows, for the year under review, the changes in financial liabilities arising from cash flows generated and/or absorbed by financing activities, as well as arising from non-monetary items, in accordance with IAS 7.

<i>(in Euro)</i>	31.12.2022	Increase	Repayments	Other non-monetary	31.12.2023
Financing with credit institutions (a)	107,885		(419,981)	1,268,855	956,758
Hedging derivative (b)	62,315			(62,315)	0
MISE financing (c)	95,542		(114,180)	116,091	97,452
Simest financing (d)	4,016		(6,250)	22,418	20,184
Payables for credit cards	1,649	1,315	(1,649)		1,315
Total current financial liabilities	271,406	1,315	(542,060)	1,345,049	1,075,710

<i>(in Euro)</i>	31.12.2022	Increase	Repayments	Other non-monetary	31.12.2023
Financing with credit institutions (a)	0	4,960,200		(1,258,586)	3,701,614
Hedging derivative (b)	58,792			(35,779)	23,013
MISE financing (c)	836,432			(97,451)	738,980
Simest financing (d)	28,299	23,501		(21,063)	30,737
Payables for credit cards	0				0
Total non-current financial liabilities	923,523	4,983,701	0	(1,412,879)	4,494,344

Below is a description of the main items comprising the Group's financial liabilities as of December 31, 2023, and December 31, 2022.



Separate Financial Statements as at 31 December 2023

a. Financing with credit institutions

(in Euro)	31.12.2023		31.12.2022	
	Current quota	Non-current quota	Current quota	Non-current quota
Intesa Financing 120280 (A 1)			107,885	
Intesa Financing 1765 (A 2)	457,678	1,838,170		
BNL Financing (A 3)	499,080	1,863,444		
Total	956,758	3,701,614	107,885	0
Current Payables to Banks	1,315		1,649	
Total Financing	958,073	3,701,614	109,533	0

A 1) Unsecured Banca Intesa – Sabatini loan 2019

On November 28, 2019, Civitanavi Systems S.p.A. entered into a loan agreement with Banca Intesa, seeking the benefits provided by the Sabatini Law for a total amount of 500 thousand Euro. The financing concluded on October 31, 2023, fully adhering to the repayment schedule. The contract involved repayment in increasing installments, on a monthly basis starting from December 31, 2019, and was 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 ministerial decrees of the Ministry of Industry, Trade, and Handicrafts 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.

A 2) Intesa Loan

In July 2023, Civitanavi Systems S.p.A. entered into a loan agreement for a value of 2,500 thousand Euro. The duration is set at 60 months, with no pre-amortisation. Repayment installments will occur in 60 deferred monthly installments, with the first installment paid on 28/08/2023 and the last one set for 28/07/2028. The interest rate is determined based on the one-month Euribor variable rate (on a 360-day basis), plus a spread of 1.19 percentage points. The financing was obtained to support the Group's growth projects, such as the renovation works at the new headquarters in Porto Sant'Elpidio (FM). Two covenants related to ESG issues were included in this financing, which, if met, provide the Group with a benefit equal to 8% of the applied spread (from 1.19 to 1.09). The two covenants are related to the introduction of a procurement policy that integrates environmental considerations and the development of employee welfare programs. As of December 31, 2023, both are reported to be met, as follows.

In this regard, Civitanavi Systems S.p.A. states that during the year, an internal procurement policy integrating environmental considerations concerning three objectives—purchases, transportation, and energy supplies—has been introduced. In particular, for purchases, the Company has implemented a policy for the purchase of office materials with low environmental impact and FSC and EU Ecolabel certification. Moreover, in 2022, agreements with Guarantee of Origin (GO) were already made for the purchase of electricity from renewable sources. Furthermore, in January 2023, a collective insurance policy was signed with Intesa San Paolo S.p.A. aimed at protecting employees from the economic consequences that may arise following the onset of serious illnesses. Civitanavi confirms its attention to the centrality of people and the importance of a corporate welfare system that promotes the well-being of its employees, allocating 0.05% of the annual turnover to the welfare fund dedicated to its employees, amounting to 24 thousand Euro.

A 3) BNL Loan

In September 2023, Civitanavi Systems S.p.A. entered into a new financing agreement for an amount of 2,500 thousand Euro. The duration of the financing has been set for a period of 5 years. Repayment installments are scheduled quarterly. The interest rate is calculated based on the three-month Euribor variable rate, to which a spread of 0.90 percentage points is added. This financing was granted under the “BNL Enhanced Sustainable SME and MIDCAP Support” initiative, which benefits from a guarantee provided by the European Investment Fund (EIF) and a counter-guarantee from the European Investment Bank (EIB). This financing is intended to cover the medium to long-term working capital needs related to operational activities.

b. Hedging Derivate

As of December 31, 2023, the “Hedging Derivate” item includes: (i) the negative fair value of the option contract entered into in 2022 on currency to hedge the assets, maturing on December 29, 2025, and (ii) the Market to Market of the two new Collar contracts entered into in 2023 to hedge the variable rate of the two loans (Banca Intesa S.p.A. and Banca BNL S.p.A. discussed in the previous section to which reference is made), maturing respectively on July 28, 2028, and September 15, 2028.

c. MiSE financing - 2018

On February 5, 2018, Civitanavi Systems S.p.A., under Law No. 808 of December 24, 1985, concerning “Measures for the development and enhancement of competitiveness of industries operating in the aerospace sector”, requested financing for the



Separate Financial Statements as at 31 December 2023

project “FOGPIC Fiber Optic Gyroscope Photonic Inertial Chip”, equal to 75% of the costs/expenses of research and development activities for the years 2018-2019-2020, divided into annual installments with allocation of the related expenses for each year.

In 2021, the final statement was submitted, resulting in a total disbursed amount as of December 31, 2021, of 1,427 thousand Euro. This amount, recorded at amortised cost, will only need to be repaid by the Company in the financed portion, amounting to 80% of the disbursed amount, or 1,142 thousand Euro, as the remaining 20% is non-refundable. The repayment will be made in 10 annual installments of 114 thousand Euro each, without the application of passive interest, until 2032.

d. *Simest financing*

In the context of the Facilitated Financing provided for by the National Recovery and Resilience Plan (PNRR), Civitanavi Systems S.p.A. has entered into an agreement with Simest for subsidized-rate financing under the “de minimis” regime, corresponding to 75% of the expenditure, with a non-refundable portion under the Temporary Framework equal to the remaining 25% of the expenditure. The objective of this financing is to support participation in an international event, aiming to promote the company's business in foreign markets. This event was identified by the company at the “Farnborough International Airshow 2022” held in Farnborough, United Kingdom.

The contract was finalised on February 8, 2022, with the early disbursement of 50 thousand Euro, equal to 50% of the total amount expected for participation in the event. In December 2023, the company received the final tranche of the financing, amounting to 24 thousand Euro.

The amount recorded in financial liabilities refers exclusively to the financed portion, valued at amortised cost, which will be repaid in six semi-annual installments starting from August 8, 2023, and until February 8, 2026.

The Group does not have any financing contracts that require compliance with financial covenants; however, reference is made to the previous paragraph A2) Intesa Sanpaolo Bank Loan for details on the covenants related to ESG issues.

7.14 Defined benefit schemes

Defined benefit plans include the liability for employee benefits in the amount of 1,013 thousand Euro.

The following table shows the changes in defined benefit plans as at 31 December 2023.

<i>(in Euro)</i>	Severance indemnity
Balance on 31 December 2022	822,367
<i>Current service cost</i>	214,814
Directors' end-of-mandate indemnity	20,000
Financial expenses	29,996
Actuarial losses/(profits)	77,672
Benefits paid	(151,581)
Balance on 31 December 2023	1,013,267

The personnel funds represent the estimated liability, determined based on actuarial techniques, corresponding to the amount to be paid to employees upon termination of employment.

As of December 31, 2023, defined benefit plans refer to the severance pay (hereinafter referred to as “TFR”) accrued for employees.

Given the negligible impact as of December 31, 2023, no discounting of the liability for end-of-service indemnity for directors has been performed.

Severance indemnity (TFR)

Employee benefits related to TFR amount to 1,013 thousand Euro and 822 thousand Euro respectively as of December 31, 2023, and December 31, 2022.

The value of the TFR liability, falling within the definition of defined benefit plans under IAS 19, was determined using actuarial methods. The annual discount rate used to determine the present value of the obligation was derived, consistently with paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a duration of 10+ as of the valuation date. For this purpose, a yield with a duration comparable to the duration of the employee group being assessed was selected.

The main actuarial, financial, and demographic assumptions used to determine the liability value as of December 31, 2023, in



Separate Financial Statements as at 31 December 2023

accordance with the provisions of IAS 19, are set out below.

Summary of technical economic basis (as a percentage)	As at 31 December 2023
Annual discount rate	3.17%
Annual inflation rate	2.00%
Annual TFR increase rate	3.00%
Annual salary increase rate	0.50%
Death	RG48 mortality tables published by the State General Accounting Office
Disability	INPS tables broken down by age and gender
Retirement	100% upon reaching the AGO requirements adjusted to Decree-Law 4/2019
Probability of early TFR	1.00%
Annual turnover rate	3.00%

The table below summarises the sensitivity analysis for each actuarial, financial, and demographic assumption, showing the effects (in absolute value) there would be as a result of changes in actuarial assumptions that were reasonably possible on 31 December 2023.

Sensitivity analysis 2023	As at 31 December 2023
Turnover rate +1.00%	966,937
Turnover rate -1.00%	946,728
Inflation rate +0.25%	984,051
Inflation rate -0.25%	932,434
Discount rate +0.25%	925,765
Discount rate -0.25%	991,477

The table below shows the estimate of expected payments (at nominal value) on 31 December 2023 relating to the TFR in future years.

Years	Disbursements foreseen (in Euro)
2024	59,160
2025	58,707
2026	67,636
2027	76,284
2028	84,665

7.15 Provisions for risks and charges

The summary of provisions for risks and charges, for the years 2023 and 2022, is provided below:

(in Euro)	31.12.2023	31.12.2022
Product warranty guarantee fund	50,000	0
Restoration Fund	246,700	0
Provisions for risks and charges	296,700	0

In evaluating potential liabilities, strict criteria of prudence and competence have been observed.

As of December 31, 2023, a specific product warranty guarantee fund has been established to cover any expenses related to the repair of defective products under legal warranty, amounting to 50 thousand Euro. The provision has been recognised in the income statement under material costs for 20 thousand Euro and personnel costs for 30 thousand Euro.

As of December 31, 2023, a restoration fund has been established for expenses necessary to restore the Pedaso headquarters following the early termination of the lease agreement for relocation to the new headquarters, amounting to 247 thousand Euro. The provision has been recognised in the income statement under service costs for 247 thousand Euro.

7.16 Trade payables

The composition of trade payables as at 31 December 2023, compared with the situation as at 31 December 2022, is shown below:



Separate Financial Statements as at 31 December 2023

<i>(in Euro)</i>	31.12.2023	31.12.2022
Trade payables to suppliers	5,135,376	7,446,985
Trade payables to subsidiaries	42,286	0
Trade payables to other related parties	120,198	68,592
Trade payables	5,297,859	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 Note 9 “Related Party Transactions” in this document.

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

7.17 Tax payables

The tax payables as of December 31, 2023, amount to 449 thousand Euro compared to 244 Euro as of December 31, 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Withholding taxes applied at source from employment, assimilated, and self-employment	393,448	235,342
Current tax payables	55,409	0
Liability for substitute tax	0	8,148
Other tax payables	0	136
Tax Payables	448,857	243,625

The item only includes liabilities for certain and determinable taxes, specifically referring to:

- withholding taxes applied at source on liabilities from dependent, assimilated, and self-employment for 393 thousand Euro as of December 31, 2023, and for 235 thousand Euro in 2022;
- current tax payables amounting to 55 thousand Euro.

7.18 Other current and non-current payables and liabilities

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

<i>(in Euro)</i>	31.12.2023	31.12.2022
Payables to employees	1,424,838	1,100,165
Payables to pension institutions	757,324	605,515
Deferred income	806,793	657,402
Payables to directors	159,753	19,091
Accrued liabilities	0	8
Advance payments from customers	439,299	2,654,519
Advances on projects	294,703	
Pre-financing	795,356	0
Other	39,862	75,560
Other current payables and liabilities	4,717,928	5,112,261
Advances on non-current projects	360,054	0
Other non-current payables and liabilities	360,054	0

As of December 31, 2023, other current liabilities amount to 4,718 thousand Euro, compared to 5,112 thousand Euro recorded on December 31, 2022.

The payables to employees, totalling 1,425 thousand Euro as of December 31, 2023, and 1,100 thousand Euro as of December 31, 2022, relate to December salaries, which were paid in the early days of January 2024, in addition to the liability for accumulated and unused vacation days.

Regarding payables to pension institutions, amounting to 757 thousand Euro in December 2023 (compared to 606 thousand Euro in the previous year), these include both employer contributions and employee salary deductions for social security contributions, as required by current regulations.

As for accrued liabilities, they relate to capital contributions approved by the Marche Region for the purchase of machinery, accounted for as “Other revenues”, R&D contributions for capitalised development projects, and contributions for investments in instrumental assets made in 2020 and 2021, in accordance with Article 1, paragraph 185 of Law 160/2019 and Articles 1051-1063 of Law 178/2020. Accrued liabilities are accounting instruments used by the Company to adjust revenues to accurately reflect income recognition.



Separate Financial Statements as at 31 December 2023

Regarding customer advances, amounting to 439 thousand Euro as of December 31, 2023, there is a decrease compared to 2,655 thousand Euro recorded on December 31, 2022, due to deliveries made during the year corresponding to advances received in the previous year.

Advances related to projects, totalling 295 thousand Euro, represent the initial instalments of contributions received for the Q-SiNG project, “Quantum-based Simultaneous Inertial Navigator and vector Gravimeter”, funded by the European Union.

Pre-financing corresponds to the amount of 795 thousand Euro received by the Company, in the last days of December 2023, as advances for a project funded by the European Union, of which the Company is the lead partner. This amount was then distributed and reimbursed to other participants in the early days of January 2024.

As of December 31, 2023, other non-current liabilities amount to 360 thousand Euro, nil on December 31, 2022. The entire amount relates to non-current portions of pre-financing on European projects received, as mentioned above, adjusted to their present value.

8. Notes to the income statement

8.1 Operating revenues

As of December 31, 2023, operating revenues amount to 44,869 thousand Euro, consisting of 1,207 thousand Euro from inventory changes and 43,662 thousand Euro from customer contracts, of which 4,319 thousand Euro are from changes in work in progress on order activities.

The breakdown of revenues by “type” is summarised as follows:

<i>in thousand Euro</i>	31.12.2023	Inc %	31.12.2022	Inc %	Change	Change %
<u>Revenues from sale of goods</u>	34,879	80%	23,678	72%	11,201	47%
<u>Revenues from “Service”</u>	1,045	2%	746	2%	299	40%
<u>Revenues from royalties</u>	922	2%	860	3%	61	7%
Revenues from services	2,497		1,869		628	34%
Changes in assets for work in progress on order	4,319		5,874		(1,555)	(26%)
<u>Revenues from engineering services and Change in contract work</u>	6,817	16%	7,743	23%	(926)	(12%)
Operating revenues net of the change in FP/SFP inventories	43,662	100%	33,027	100%	10,635	32%
Change in FP and SFP inventories	1,207		1,105		102	9%
Operating revenues	44,869		34,132		10,737	31%

The table below provides a breakdown of operating revenue by geographic area for the years ended 31 December 2023 and 31 December 2022:

<i>in thousand Euro</i>	31.12.2023	% of total 2023	31.12.2022	% of total 2022	Change 2023-2022	Change %
Italy	5,299	12%	4,355	13%	944	22%
EMEA (except Italy)	33,004	76%	22,604	68%	10,400	46%
APAC	4,185	10%	4,251	13%	(66)	(2%)
North America	1,173	3%	1,816	5%	(643)	(35%)
Rest of the world	0	0%	0	0%	0	0%
Operating revenues net of the change in FP/SFP inventories	43,662	100%	33,027	100%	10,635	32%
Change in FP and SFP inventories	1,207		1,105		102	9%
Operating revenues	44,869		34,132		10,737	31%

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

The item Change in Assets for contract work in progress includes the economic counterpart of the provision for future contract losses, nil as of 31 December 2022 as shown below.

<i>(in Euro)</i>	As at 31 December 2023		
	Change in the financial year	Change in the financial year	Total
Revenues from Change to WIP 31 December 2023	4,319,493	0	4,319,493

Work in progress on order primarily refers to contracts entered into with customers specifically for aerospace and defense



development activities.

The vast majority of contracts with customers entered into by the Company do not involve variable consideration.

The Company believes that there are no contracts containing a significant financing component, i.e., where the period between the transfer of the agreed-upon asset to the customer and the customer's payment exceeds twelve months. Therefore, the Company has not made any adjustments to the consideration of the transaction to account for the effects of the time value of money.

Disclosure on Operating Segments

In accordance with IFRS 8 paragraph 12, following a qualitative assessment conducted by the directors, it was decided to aggregate the business divisions into a single reporting segment, consistent with the approach applied in previous periods.

8.2 Other revenues and income

The following table provides a breakdown of other revenues and income for the periods ended 31 December 2023 and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Recoveries, chargebacks and sharing	55,875	47,778
Grants	806,678	145,386
Insurance claims	79,450	0
Extraordinary income/Capital gains	7,073	504
Other revenues from subsidiaries	68,084	60,603
Other revenues	160,460	26,106
Other revenues and income	1,177,620	280,377

As of December 31, 2023, other revenues and income amount to 1,178 thousand Euro, showing a significant increase of 897 thousand Euro compared to the 280 thousand Euro recorded on December 31, 2022. This growth is mainly attributable to a positive variation in operating subsidies, primarily derived from the funding provided by the Marche Region for investment calls, contributions for investments in instrumental assets 4.0, contribution L808, contribution related to the Q-SiNG project, and the tax credit recognised on IPO expenses in accordance with legal provisions. The tax credit related to the latter was recognised up to a maximum of 500 thousand Euro, and this amount was distributed proportionally between the items "Other revenues and income" (159 thousand Euro) and "Share premium reserve" (341 thousand Euro), following the method of accounting for IPO expenses incurred in 2022, as required by IAS 32.

It is emphasised that the subsidies recognised as operating income have been credited to the income statement in close correlation with the depreciation process related to the assets and associated projects.

Additionally, during the observed year, an insurance reimbursement of 79 thousand Euro was recognised for the damage to a machinery in the production area.

The item "Recoveries, chargebacks and sharing" includes both expense refunds requested from customers by the Company and shares of expenses paid based on contracts or other forms of agreements.

Finally, in the item "Other revenues from subsidiary", costs and services amounting to 68 thousand Euro, which the Company recharged to the subsidiary Civitanavi UK Ltd during 2023 in accordance with transfer pricing procedures, are included.

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 31 December 2023 and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Purchases of raw materials and consumables	20,322,473	15,009,319
Changes in inventories of raw materials, ancillary materials, consumables and goods	(1,281,504)	(937,596)
Provision for product warranty fund	20,000	0
Raw material costs and change in inventories	19,060,969	14,071,723

As of December 31, 2023, the raw material costs and change in inventories amounted to 19,061 thousand Euro, an increase of 4,989 thousand Euro compared to the previous fiscal year.

The increase in the cost of purchasing goods has increased proportionally to the increase in revenue from the sale of goods, as



Separate Financial Statements as at 31 December 2023

discussed in the Directors' Report on Operations for further details.

Additionally, as of December 31, 2023, a provision for product warranty fund has been recognised, resulting in additional costs for the purchase of goods of 20 thousand Euro to cover future expenses related to the repair of defective products under legal warranty.

8.4 Personnel costs

The table below provides a breakdown of personnel costs for the years ended on 31 December 2023 and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Salaries and wages	9,230,197	3,619,340
Social security expenses	1,829,971	1,481,208
Expenses for severance indemnity	449,557	414,190
Provision for product warranty fund	30,000	0
Other	27,832	22,000
Personnel costs	11,567,558	5,536,738

As of December 31, 2023, the total personnel cost amounts to 11,568 thousand Euro, representing an increase of 6,031 thousand Euro compared to December 31, 2022. The main reason for this significant increase is attributed to the non-recurring event related to the exercise of stock option rights for the subscription of shares of Civitanavi Systems S.p.A. by the employees benefiting from the plan, originally implemented by Civitanavi Systems Ltd, for which a cost of 4,450,500 Euro has been accounted for. It is specified that this cost is "non-monetary" as the financial outlay is borne by the majority shareholder, Civitanavi Systems Ltd, holder of the Stock Option Plan. Additionally, a cost of 84 thousand Euro has been recognised in reference to the 2023 Stock Option plan, as described in paragraph 6 "Stock Option Plans", to which reference is made.

Excluding the effects of the plan, personnel costs amount to 7,003 thousand Euro, primarily increasing due to new hires during the period. Furthermore, during the year, salaries and wages amounting to 1,709 thousand Euro have been capitalised (accounted for by nature) related to personnel costs incurred in Development projects. Please refer to note 7.1 "Intangible Assets" of this document.

In December 2023, a provision for product warranty fund of 30 thousand Euro has been made to cover future expenses related to the repair of defective products still under legal warranty.

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

<i>Exact number</i>	31.12.2023	31.12.2022
Blue-collar workers	60	50
White-collar workers	106	87
Middle managers	11	9
Executives	2	2
Total employees	179	148

<i>Average number</i>	31.12.2023	31.12.2022
Blue-collar workers	55	43
White-collar workers	97	82
Middle managers	10	8
Executives	2	2
Total employees	164	135

8.5 Service Costs

The following table provides a breakdown of service costs for the periods ended on 31 December 2023 and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Utilities, cleaning services, and security services	239,034	213,799
Maintenance	293,702	42,914
Transport	211,289	137,948
Consultancy	1,727,429	2,398,825
Technical services	1,619,403	1,145,411
Travel and accommodation services	329,945	269,986
External processing	464,914	123,458
Marketing and trade fairs	229,343	162,507
Insurance	197,611	119,406
Canteen	229,552	169,312



Separate Financial Statements as at 31 December 2023

Commissions	58,515	55,122
Remuneration of BoD*	616,562	462,086
Remuneration of the audit firm*	56,298	39,255
Remuneration of the board of auditors*	31,200	27,733
Remuneration of supervisory body*	9,568	4,186
Remuneration of internal audit*	25,116	27,327
Other services	218,977	103,656
Service costs	6,558,457	5,502,933

* including reimbursement of expenses and other charges

In the item of service costs, totaling 6,558 thousand Euro, primarily included are costs related to consulting and technical and professional services, outsourced processing, maintenance, utilities, cleaning services, and other services.

The increase in transportation costs, technical services, and outsourced processing reflects the expected increase in revenue for the year, while consulting costs decrease compared to the same period of the previous year when they included expenses related to the IPO listing finalised in February 2022.

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

8.6 Other operating costs

The table below provides a breakdown of other operating costs for the years ended 31 December 2023 and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Costs relating to leases, rentals and licences	268,192	169,407
Taxes and duties	54,267	18,288
Association fees and charity	20,676	24,170
End-of-mandate indemnity for Directors	20,000	20,000
Other minor	14,694	9,762
Other operating costs	377,829	241,627

Other operating costs amounted to 378 thousand Euro as of December 31, 2023, compared to 242 thousand Euro as of December 31, 2022.

This item is mainly composed of the following items:

- Costs related to leases for 281 thousand Euro (compared to 169 thousand Euro as of December 31, 2022), which include rents related to leases not within the scope of IFRS 16 (short-term leases and leases of low value);
- Taxes and duties for 54 thousand Euro (compared to 18 thousand Euro as of December 31, 2022);
- Association fees and donations for 20 thousand Euro (compared to 24 thousand Euro as of December 31, 2022);
- End-of-mandate indemnity for Directors, amounting to 20 thousand Euro as of both December 31, 2023, and 2022

8.7 Write-downs of net financial assets

Write-downs of net financial assets amounting to 42 thousand Euro and 56 thousand Euro respectively as of December 31, 2023, and December 31, 2022, relate to the impairment of trade receivables, as detailed below.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Provisions and write-downs of receivables current assets	42,351	55,875
Write-downs of net financial assets	42,351	55,875

The provisions for the year result from the calculation of the Credit Impairment Reserve carried out in accordance with IFRS 9, as well as the Probability of Default for the year and the reference sector.

8.8 Amortisation and depreciation and write-downs

The table below shows the detailed statement of amortisations/depreciations and write-downs for the financial years that ended on 31 December 2023 and 2022.



Separate Financial Statements as at 31 December 2023

<i>(in Euro)</i>	31.12.2023	31.12.2022
Amortisation and write-downs of intangible assets	289,667	204,752
Amortisation and write-downs of tangible assets	1,253,511	649,951
Amortisation and write-downs of right-of-use assets	194,110	164,782
Amortisation and depreciation and write-downs	1,737,288	1,019,485

Amortisation an depreciation and write-downs amount to 1,737 thousand Euro as of December 31, representing an increase of 718 thousand Euro compared to 1,019 thousand Euro as of December 31, 2022. This increase, primarily due to the depreciation and impairment of tangible assets, is rooted in the acquisition of new durable goods, resulting in a growth in the Company's depreciable base. This increase reflects the investments made and the expansion of activities throughout the year.

Furthermore, as previously indicated in note 7.3 “Tangible Assets” referenced, following the early termination of the lease contract for the Pedaso (FM) headquarters in anticipation of the upcoming relocation to the new building, management has revised the useful life of some assets that will not be transferred to the new building, aligning it with the lease contract expiration. This analysis resulted in an increase in depreciation of 78 thousand Euro.

8.9 Financial income and expenses

The table below shows the detailed statement of financial income for the financial years that ended on 31 December 2023 and 31 December 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Interests receivable	259,217	8,487
Net foreign currency profits	354,035	358,687
Income from derivative contracts	0	9,400
Revaluation of financial investments	96,522	30
Other financial income	39,005	6,317
Financial income	748,779	382,921

The item Financial Income is recorded at 749 thousand Euro, showing an increase of 366 thousand Euro compared to December 31, 2022. This increase is mainly attributable to the rise in bank interest income, amounting to 259 thousand Euro, and the increase in the revaluation of investments in financial assets following the fair value adjustment as of December 31, 2023. This adjustment was nearly negligible in the previous fiscal year.

The table below presents the detailed breakdown of financial expenses for the years ended December 31, 2023, and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Interests on bonds loans or loans	110,969	76,313
Bank interests	2,640	2,998
Net foreign currency losses	386,699	156,341
Interests on lease liabilities	68,866	38,985
Interests on the discount of benefit schemes	29,996	15,991
Capital losses on financial investments	2,876	6,553
Write-down of financial investments	0	125,253
Expenses for derivative contracts	0	5,506
Other financial expenses	133,188	5
Financial expenses	735,234	427,946

Financial expenses amounted to 735 thousand Euro as of December 31, 2023, increasing by 307 thousand Euro compared to the previous fiscal year, mainly due to net losses on currency exchanges, which stand at 387 thousand Euro compared to 156 thousand Euro as of December 31, 2022, an increase attributable to the fluctuating trends of the Euro and US Dollar interest rate curves.

8.10 Income taxes

The following table provides the detailed breakdown of income taxes for the periods ended on December 31, 2023, and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Current taxes	(1,374,113)	(1,976,829)
Deferred taxes	(179,989)	(297,030)
Taxes relating to previous financial years	2,735	1,310,284
Income taxes	(1,551,368)	(963,575)



Separate Financial Statements as at 31 December 2023

Income taxes amount to 1,551 thousand Euro, an increase compared to the previous fiscal year. It is noted that the benefit related to income taxes from previous years recognised in 2022 primarily related to the accounting of the Patent Box for the tax years 2017-2021, amounting to 1,327 thousand Euro, following the ruling agreement with the Revenue Agency signed in December 2022.

The following table provides the reconciliation of the theoretical tax rate with the actual impact on pre-tax income for the years ended December 31, 2023, and 2022.

<i>(in Euro)</i>	31.12.2023	31.12.2022
Profit before taxes	6,715,508	7,938,525
Theoretical rate	0,24	0,24
Theoretical tax burden	(1,611,722)	(1,905,246)
Tax effects of non-taxable revenues	103,013	41,868
IRAP (Regional Income Tax)	(318,736)	(369,950)
ACE (Aid for Economic Growth)	206,726	0
Tax effect of non-deductible costs	(186,173)	(151,073)
Tax benefit from re-measurement	287,300	287,300
Tax loss	103,257	0
IRES tax benefit from Patent Box previous years	0	1,111,301
IRES tax effect IPO expenses charged to equity	0	581,388
Other	(135,034)	(559,163)
Income taxes	(1,551,368)	(963,575)

8.11 Earnings per share (EPS)

The table below shows the statement of earnings per share for the financial years that ended 31 December 2023 and 2022.

<i>(in Euro and in units)</i>	31.12.2023	31.12.2022
Net result	5,164,140	6,974,949
Weighted average number of shares entitled to profits	30,753,200	30,760,000
Basic earnings per share	0.17	0.23
Diluted earnings per share	0.17	0.23

9. Transactions with related parties

Transactions with related parties, identified on the basis of the criteria defined in IAS 24, are mainly of a commercial and financial nature and are carried out at normal market conditions.

Below is the description of the type of relationship and transactions that occurred during 2023 with related parties:

- Acutronic Switzerland Ltd: a company where Michael Perlmutter (executive director of Civitanavi Systems S.p.A. as of December 31, 2023) serves as a board member; the relationships with Acutronic Switzerland Ltd are commercial in nature and denominated in Euros. Specifically, Acutronic provides motion simulation machinery, spare parts, and related support.
- Alan Kaile, Administrator of Civitanavi UK Ltd, provides strategic consulting services for commercial purposes, and the relationships are denominated in British Pounds.
- Mario Damiani, Board Member of Civitanavi Systems S.p.A. since February 17, 2022, provides strategic consulting services for commercial purposes, and the relationships are denominated in Euros.
- Civitanavi Ltd is the majority shareholder of Civitanavi Systems S.p.A., and there is a credit towards the latter due to Civitanavi Systems S.p.A. acting as a tax substitute for the Stock Option operation. This amount will be paid by Civitanavi Systems LTD when the Company is required to pay the relevant tax as per the law.
- Civitanavi Systems UK Ltd is a wholly owned subsidiary of Civitanavi Systems S.p.A. The latter has provided an interest-free loan to the subsidiary. Additionally, during 2023, Civitanavi Systems S.p.A. incurred expenses and provided services to Civitanavi UK, while the latter provided engineering services to its parent company.
- PV Labs Ltd is an Associated Company in which Civitanavi Systems S.p.A. holds 30% of the share capital. The relationships involve both commercial and strategic investment in the company's capital. The transactions are



Separate Financial Statements as at 31 December 2023

denominated in US Dollars.

- The Spouse of the Chairman of the Board of Directors and CEO engages in employment activities.
- The Chairman of the Board of Statutory Auditors, during 2023, provided a service related to attestation of the incurrence and eligibility of costs for listing on regulated markets, in favor of Civitanavi Systems S.p.A.
- Relationships with Directors and Executives with Strategic Responsibilities involve respective compensations and Severance Packages for administrators, following the resolution of the corporate body. Regarding Executives with Strategic Responsibilities, relationships are governed by employment contracts.

The balance sheet and income statement transactions with related parties as at 31 December 2023 are summarised in the following tables:

Related Parties as at 31.12.2023 <i>in Euro thousands</i>	Intangible assets *	Tangible assets *	Investments in associates and other financial assets	Inventories	Trade receivables	Other receivables and current assets	Defined benefit schemes	Trade payables	Other current payables and liabilities
Acutronic Switzerland		136							
Alan Kaile								18	
Damiani								102	
Civitanavi LTD						121			
Civitanavi UK	17		621		129			42	
PV-Labs			2,270	1,073					
Directors and Executives with Strategic Responsibilities							84		181
Spouse of the Chairman of the BoD and CEO in office							26		21
Donadio									
Total	17	136	2,890	1,073	129	121	110	162	202
Total item of the financial statements	4,609	8,790	2,890	10,187	8,326	2,616	1,013	5,298	4,718
Effect on the item of the financial statements	0%	2%	100%	11%	2%	5%	11%	3%	4%

* changes occurring in 2023 are shown

Related Parties as at 31.12.2023 <i>in Euro thousands</i>	Other revenues and income	Raw material costs and changes of inventories	Personnel costs	Service costs	Other operating costs
Acutronic Switzerland			74		23
Alan Kaile					66
Damiani					118
Civitanavi LTD					
Civitanavi UK		68			25
PV-Labs					
Directors and Executives with Strategic Responsibilities			284	617	20
Spouse of the Chairman of the BoD and CEO in office			73		
Donadio					1
Total	68	74	357	850	20
Total item of the financial statements	1,178	19,061	11,568	6,558	378
Effect on the item of the financial statements	6%	0%	3%	13%	5%

The balance sheet and income statement transactions with related parties as at 31 December 2022 are summarised in the following tables:



Separate Financial Statements as at 31 December 2023

Related Parties as at 31.12.2022 <i>in Euro thousands</i>	Plant, machinery and equipment	Investments in subsidiaries and other financial assets	Trade receivables	Defined benefit schemes	Trade payables	Other current payables and liabilities
Acutronic Switzerland	369					
Alan Kaile					26	
Damiani					42	
Civitanavi UK		12	61			
Directors and Executives with Strategic Responsibilities				63		72
Spouse of the Chairman of the BoD and CEO in office				22		9
Total	369	12	61	86	69	81
Total item of the financial statements	2,282	62	11,052	822	7,516	5,112
<i>Effect on the item of the financial statements</i>	<i>16%</i>	<i>19%</i>	<i>1%</i>	<i>10%</i>	<i>1%</i>	<i>2%</i>

Related Parties as at 31.12.2022 <i>in Euro thousands</i>	Other revenues and income	Raw material costs and changes of inventories	Personnel costs	Service costs	Other operating costs
Acutronic Switzerland	2	772		11	5
Alan Kaile				76	
Damiani				66	
Civitanavi UK	61				
Directors and Executives with Strategic Responsibilities			260	463	
Spouse of the Chairman of the BoD and CEO in office			70		
Total	63	772	330	617	5
Total item of the financial statements	280	14,072	5,537	5,503	242
<i>Effect on the item of the financial statements</i>	<i>22%</i>	<i>5%</i>	<i>6%</i>	<i>11%</i>	<i>2%</i>

The procedure for transactions with related parties adopted by the company is available on the website at the link www.civitanavi.com, under the Governance section, Documents and Procedures.

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

The Board of Directors, comprising seven members, received 552 thousand Euro in remuneration as of December 31, 2023, while the Board of Statutory Auditors accrued 30 thousand Euro in remuneration as of the same date.

11. Auditor's Fees

The fees as of December 31, 2023, payable to the current audit firm for conducting the statutory audit for the years 2021-2029 of the Parent Company amount to 50 thousand Euro (fee related to limited semi-annual review, annual review, and consolidated financial statements). Further fees paid for "Audit-related activities" amount to 4 thousand Euro, relating to the attestation of the R&D tax credit. No "Non-Audit related activities" were conducted.

12. Commitments and risks

The Parent Company has bank guarantees in place to secure commitments made for contractual obligations with a total guaranteed amount of USD 2,748 thousand towards a foreign client company and 14 thousand Euro towards Italian companies and Public Administrations. Additionally, the Parent Company has issued a guarantee related to the lease agreement of the property where the company is headquartered, with a guaranteed value of 50 thousand Euro.



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

It is specified that the Company does not have any assets intended exclusively for a specific transaction pursuant to Article 2447 bis, letter a) of the Italian Civil Code.

14. Information on agreements not resulting from the balance sheet

The Company does not have agreements not resulting from the Balance Sheet pursuant to Article 2427, first paragraph, no. 22 ter of the Italian Civil Code.

15. Research and development activities

The R&D activity carried out by the Company is aimed at both introducing new products and implementing new production processes. The activity is divided into different phases, ranging from the conception and initiation of the design process for the new product or process to large-scale industrialisation. For further details, please refer to the relevant section of the Management Report.

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

There are no significant events subsequent to the end of the financial year.

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

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

- New Sabatini “Facilitation for the purchase of machinery and structural assets” amounting to 41 thousand Euro;
- PNRR - FUND 394/81: Participation of SMEs in international fairs and exhibitions, including in Italy, and system missions for the non-repayable portion amounting to 8 thousand Euro;
- Tax credit for small and medium-sized enterprises that begin a procedure for admission to listing on a regulated market or multilateral trading systems by the Ministry of Enterprise and Made in Italy - Department for Enterprise Policy - Directorate General for Industrial Policy, Industrial Conversion and Crisis, Innovation, SMEs and Made in Italy, in the amount of 500 thousand Euro;
- Marche Region framework scheme under Section 2.1 of the Commission Communication Temporary Crisis Framework for State Aid Measures to Support the Economy in the Aftermath of Russia's Aggression Against Ukraine for 8 thousand Euro.

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

It should also be noted that the company has benefited from the tax credit for non-energy and other than heavy natural gas consuming companies in the amount accrued for 2023 amounting to 16 thousand Euro. In addition, the contribution to support connectivity of small and medium-sized enterprises for 2 thousand Euro was recognised.

18. Proposed allocation of profits

It is proposed to the Shareholders' meeting to allocate the net profit of the year ended 31 December 2023 equal to Euro 5,164,139.85:

- to legal reserve for Euro 156,122.54;
- to extraordinary reserve for Euro 1,017,362.81;
- distribution of dividend for Euro 3,990,655.50 (0.13 euro per share).

Pedaso, 14 March 2024

Chairman of the Board of Directors and CEO
Andrea Pizzarulli



Statement of the Manager in charge for financial reporting

Statement on the financial statement pursuant to art. 81-ter of Consob Regulation n. 11971 from 14 May 1999 and subsequent amendments and integrations

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 financial statements as at 31 December 2023.
2. We also attest that:
 - 2.1 the financial statements:
 - a) have been prepared in accordance with the applicable International Financial Reporting Standards endorsed by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;
 - b) correspond to the ledgers and accounting entries;
 - c) provide a true and fair view of the financial position and results of operations of issuer.
 - 2.2 The Directors' Report on Operation includes reliable analysis on the performance, result of operations and the business of the issuer, as well as description of principal risks and uncertainties to which are exposed.

Pedaso, 14 March 2024

Andrea Pizzarulli

Letizia Galletti

Chief Executive Officer

Manager in charge for financial reporting



Independent Auditors' report on separate financial statements as at 31 December 2023

Tel: +39 051 27.15.54
www.bdo.itCorte Isolani, 1
40125 Bologna

Independent auditor's Report

pursuant to article 14 of Legislative Decree no. 39, dated January 27, 2010 and article 10 of EU Regulation no. 537/2014

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

Report on the financial statements

Opinion

We have audited the financial statements of Civitanavi Systems S.p.A. (the Company), which comprise the statement of financial situation as at December 31, 2023, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree no. 38/05.

Basis for opinion

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

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

Key audit matters

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

Key audit matter

VALUATION OF ASSETS FOR WORK IN PROGRESS ON ORDER

As at December 31, 2023 the financial statements of financial position include Assets for work in progress on order for euro 27.478 thousand, Advance payments on assets for work in progress for euro 25.901 thousand and Operating revenues for euro 44.869 thousand, of which euro 4.319 thousand from changes in Assets for work in progress on order.

Assets for work in progress on order are recognized using the percentage of completion method for measuring progress.

The application of this method requires the prior estimate of the entire life costs and revenues of the projects and their updating at each balance sheet date, through the use of assumptions by the Management. These assumptions can be affected by many factors such as, for example, the time span of several financial years over which the projects are developed, the high technological level and the innovative content of the same, the performance guarantees upon completion of the project. These facts and circumstances make it difficult to estimate the costs to complete the projects and, consequently, to estimate the value of assets for work in progress on order at the balance sheet date.

In consideration of the significance of the Assets for work in progress on order compared to the total assets of the Company and the complexity of the assumptions used in estimating the costs to complete of the contracts, we considered the valuation of the Assets for work in progress on order a key audit matter of the audit review of the financial statements of the Company as December 31, 2023.

Information regarding the Assets for work in progress on order is provided in the notes to the financial statements “7.8 Assets for work in progress on order / Advance payments on assets for work in progress”, “8.1 Operating revenues” and General drafting principles.

Audit response

Our audit procedures in response to the key audit matter identified included the following:

- interviews with Management;
- understanding of the criteria and procedures adopted by the Management for determining the percentage of completion of projects;
- understanding of controls relating to both initial estimates and subsequent periodic updates of revenues and costs at completion and to complete of projects;
- for a sample of ongoing contracts:
 - analysis of contracts with clients in order to verify that the relevant contractual aspects have been adequately considered in the assessments made by the Management;
 - analysis of the reasonableness of the assumptions underlying the estimates of total contract revenues and costs through discussion with the project controller;
 - analysis of the most significant discrepancies between the previous year contract budgets and the current year actual figure and discussing the findings with the project controller;
 - analysis of the project costs already incurred;
- assessing the appropriateness of the disclosures provided in the annual financial report about Assets for work in progress on order.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

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

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

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Other information communicated pursuant to article 10 of Regulation (EU) no. 537/2014

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

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) no. 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation no. 537/2014, submitted to those charged with governance.

Reports on other legal and regulatory requirements

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

The directors of Civitanavi Systems S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF - European Single Electronic Format) (hereinafter the "Delegated Regulation") to the financial statements as at December 31, 2023, to be included in the Annual financial report.

We have performed the procedures required under Auditing Standard (SA Italia) no. 700B in order to express an opinion on the compliance of the financial statements as at December 31, 2023 to the requirements of the Delegated Regulation.

In our opinion, the financial statements as at December 31, 2023 have been prepared in XHTML format in compliance to the requirements of Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, (e), of Legislative Decree no. 39/10 and of article 123-bis paragraph 4 of Legislative Decree no. 58/98.

The directors of Civitanavi Systems S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Civitanavi Systems S.p.A. as at December 31, 2023, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under Auditing Standard (SA Italia) no. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree no. 58/98, with the financial statements of Civitanavi Systems S.p.A. as at December 31, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of Civitanavi Systems S.p.A. as at December 31, 2023 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, (e), of Legislative Decree no. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, march 29, 2024

BDO Italia S.p.A.
Gianmarco Collico
Partner

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



Report of the Statutory Auditors to the Shareholders meeting

CIVITANAVI SYSTEMS S.P.A.

Report of the Board of
Statutory Auditors on the

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2023

Dr. Marco Donadio (Chairman)

Dr. Eleonora Mori

Dr. Cesare Tomassetti

Pedaso, March 29, 2024

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

Civitanavi Systems SpA

Registered office in Pedaso (FM) – Italy, Via del Progresso 5, 63827
F.C. and registration number in the Marche Companies Register: 01795210432
Economic and Administrative Index no. FM - 200518
Institutional Website: www.civitanavi.com

Report of the Board of Statutory Auditors

**to the Shareholders' Meeting of "Civitanavi Systems SpA"
pursuant to Article 2429, paragraph 2 of the Italian Civil Code and
Article 153 of Legislative Decree 58/98
convened for the approval of the Financial Statements as of December 31, 2023**

Dear Shareholders,

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

Premise

This report refers on the activities carried out by the Company's Board of Statutory Auditors for the year ended December 31, 2023.

The Board of Statutory Auditors carried out its supervisory activities in accordance with the provisions of the Law, taking into account the principles of conduct recommended by the National Council of Chartered Accountants and Accounting Experts (as updated with the CNDCEC document of 12/21/2023), the CONSOB provisions on corporate controls, as well as the provisions contained in Article 19, Legislative Decree 39/2010.

The Company's Financial Statements have been prepared in accordance with the EU-IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union, as well as in accordance with the provisions issued by CONSOB implementing Article 9, paragraph 3, Legislative Decree 38/2005.

The Explanatory Notes to the Financial Statements indicate the general principles adopted in the preparation of the Financial Statements.

The company has also prepared for the first year the Consolidated Financial Statements with the

consolidation scope including, in addition to the parent company Civitanavi Systems SpA, the subsidiary Civitanavi Systems UK Ltd. The associated company PV Labs Ltd, evaluated using the equity method, also belongs to the group.

The separate Financial Statements and the consolidated Financial Statements have been prepared in XHTML/iXBRL format in accordance with the provisions of the Delegated Regulation (EU) 2019/815 of the European Commission on technical regulatory standards relating to the specification of the European Single Electronic Format (ESEF).

The Company is not required to submit the declaration pursuant to Article 3 of Legislative Decree no. 254/2016 (individual non-financial statement), not having exceeded the size limits set forth in Article 2 of the aforementioned decree. With reference to the 2022 financial year, the Company has voluntarily prepared its Sustainability Report, which is not subject to limited review. In the Directors' Report, the Board of Directors highlights that the sustainability report for the year ended on December 31, 2023 will be published in May 2024.

The Board of Statutory Auditors has acquired the information necessary for the performance of its supervisory duties by participating in the meetings of the Board of Directors and the Committees established within the administrative body, hearings of the Company's *management*, information acquired by the competent corporate structures, as well as additional control activities.

Appointment and Independence of the Board of Statutory Auditors

The Board of Statutory Auditors in office as of the date of this report was appointed by the Shareholders' Meeting of October 7, 2021; it is composed of Marco Donadio (Chairman), Eleonora Mori and Cesare Tomassetti (Standing Auditors), as well as Daniela Angeloni and Giuseppe Mogliani (Alternate Auditors). The Board of Statutory Auditors will expire on the date of the Shareholders' Meeting for the approval of the Financial Statements for the 2023 financial year. To this end, on March 11, 2024, the report of the outgoing Board of Statutory Auditors was drafted, as recommended by point Q.1.5. of the Code of Conduct for the Board of Statutory Auditors of listed companies of the CNDCEC of December 21, 2023.

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

With reference to the 2023 financial year, the Board of Statutory Auditors successfully carried out the annual verification of the possession, by all members, of the independence and professionalism requirements set forth in Article 148, paragraph 3, of Legislative Decree 58/1998 (TUF), as well as in recommendation no. 9 of Article 2 of the Corporate Governance Code for Listed Companies, approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. regarding the independence of the statutory auditors of listed companies, also on the basis of the statements and information provided by each statutory auditor.

The Board of Statutory Auditors, in the meeting of January 17, 2024, in accordance with the norm Q.1.1. of the "Code of Conduct for the Board of Statutory Auditors of listed companies" of the National Council of Chartered Accountants and Accounting Experts, formalized the self-assessment activity of the Board itself by drafting a specific information reported in the minutes of the aforementioned meeting and communicated to the Board of Directors.

The composition of the Board of Statutory Auditors complies with the gender distribution criterion set forth in Article 148 of Legislative Decree 58/98 (TUF).

Supervisory and control activities of the Board of Statutory Auditors

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

Supervisory and disclosure activities required by CONSOB

The Board of Statutory Auditors, in carrying out the tasks within its competence, conducted the supervisory activity prescribed by Article 2403 of the Italian Civil Code and Article 149, Legislative Decree 58/1998, by the recommendations of CONSOB on corporate controls and the activities of the Board of Statutory Auditors, in accordance with the indications contained in the Corporate Governance Code, with the "Code of Conduct for the Board of Statutory Auditors of listed companies" issued by the National Council of Chartered Accountants and Accounting Experts (CNDCEC). This Report considers the CONSOB communications no. 1025564 of April 6, 2001, no. 3021582 of April 4, 2003 and no. 6031329 of April 7, 2006, concerning the content of the reports to the Shareholders' Meetings by the Boards of Statutory Auditors of companies with shares listed on the stock exchange.

Within its functions, therefore, the Board of Statutory Auditors:

- during the 2023 financial year, it met six times, with an average meeting duration of four hours;
- participated, during the financial year ended December 31, 2023, in five meetings of the "Control, Risks, Related Party Transactions and Sustainability Committee" and three meetings of the "Remuneration and Appointments Committee";
- participated, in the financial year ended December 31, 2023, in two Shareholders' Meetings and nine Board of Directors meetings, supervising compliance with statutory, legislative and regulatory norms governing the operations of the Company's bodies, as well as compliance with the principles of proper administration;
- supervised, to the extent of its competence, the adequacy of the Company's organizational structure and compliance with the principles of proper administration, through direct observations, collecting information from the heads of certain corporate functions, and meetings with the auditing firm BDO Italia S.p.A. (hereinafter "BDO" or the "Auditing Firm"), within a mutual exchange of relevant data and information;
- evaluated and supervised the adequacy of the internal control system and the administrative and accounting system, as well as the reliability of the latter in correctly representing the management events, through the information of the heads of the respective departments, the examination of company documents and the analysis of the results of the work carried out by the Auditing Firm;
- with reference to the reciprocal information flows between the Company and its subsidiary Civitanavi UK Ltd., it is highlighted - pursuant to Article 114, paragraph 2, of Legislative Decree

58/1998 – that the latter, launched in 2022, in January 2023 hired four engineers, finalized the lease of the company headquarters located in Bristol and achieved operating revenues of Euro 172 thousand related to orders started in the last quarter of 2023; the economic and financial relations between the two companies are detailed in the explanatory notes to the Financial Statements.

In addition, the Board of Statutory Auditors:

- obtained from the Directors - pursuant to Article 150, paragraph 1, Legislative Decree 58/1998 – and by the Chief Executive Officer, with the frequency prescribed by law and by the Articles of Association, adequate information on the activities carried out and on the most significant economic, financial and asset operations carried out by the Company. In this regard, both collectively and individually, the Board of Statutory Auditors paid particular attention to the fact that the operations deliberated and implemented complied with the law and the Articles of Association and were not imprudent or hazardous, in contrast with the resolutions adopted by the Shareholders' Meeting, in potential conflict of interest, or such as to compromise the integrity of the company's assets;
- met, during the preparation of the report to the Financial Statements, with the representatives of the Auditing Firm pursuant to Article 150, paragraph 3, Legislative Decree 58/1998, and no relevant data and/or information have emerged that should be highlighted in this Report;
- supervised the procedures for the concrete implementation of the corporate governance rules set out in the Corporate Governance Code to which the Company adheres, as adequately represented in the Report on Corporate Governance and Ownership Structure, in accordance with Article 124-ter, Legislative Decree 58/1998, and Article 89-bis of the Issuers' Regulation.

Supervisory activity and disclosure required by the Consolidated Law on Statutory Auditing

Pursuant to Article 19, Legislative Decree 39/2010 (Consolidated Law on Statutory Auditing), the Board of Statutory Auditors is called upon to supervise:

- the financial reporting process;
- the effectiveness of internal control and risk management systems;
- on the statutory audit of the separate and consolidated Financial Statements and on the independence of the Auditing Firm, particularly regarding the adequacy of the provision of non-audit services to the Company.

Financial Reporting Process

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

It is noted that the Report on Corporate Governance and Ownership Structure illustrates the ways in which the Company has defined its Internal Control and Risk Management System in relation to the financial reporting process.

The Company's Board of Directors, at its meeting of October 13, 2021, appointed Dr. Letizia Galletti - the company's CFO - as “Financial Reporting Officer”, in charge for the drafting of corporate

accounting documents, assigning her the following responsibilities:

- draw up written statements accompanying acts and communications of the Company released to the market and related to accounting information, including interim information;
- prepare adequate administrative and accounting procedures for the preparation of the Financial Statements and, where applicable, the consolidated Financial Statements as well as any other financial communication;
- certify with a specific report on the Financial Statements and the condensed half-year Financial Statements (a) the adequacy and actual application of the administrative and accounting procedures for the preparation of the Financial Statements; (b) that the documents are prepared in accordance with the applicable international accounting standards recognized in the European Community under Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002; (c) the correspondence of the documents to the results of the books and accounting records; (d) the suitability of the documents to provide a true and fair representation of the Issuer's equity, economic and financial situation; (e) for the Financial Statements, that the Directors' Report includes a reliable analysis of the performance and results of the management, as well as of the situation of the Issuer, together with a description of the main risks and uncertainties to which they are exposed; (f) for the condensed half-year Financial Statements, that the interim Directors' Report contains a reliable analysis of the information referred to in Article 154-ter, paragraph 4, TUF.

The Financial Reporting Officer is supported in the performance of his activities by the *internal audit department*, which has been deemed competent and impartial in its judgment, as well as provided with sufficient economic and operational resources.

The Board of Statutory Auditors acknowledges having received adequate information on the monitoring activity of the administrative-accounting impact business processes within the Internal control system, carried out during the year and the closing of the accounts for the preparation of the Financial Statements.

The adequacy of the administrative-accounting system was also assessed through the acquisition of information from the heads of business departments, the *internal audit function*, and through the analysis of the results of the work carried out by the Auditing Firm.

No particular critical issues or obstacles emerged to the issuance of the certification by the Financial Reporting Officer and the Chief Executive Officer regarding the adequacy of the administrative and accounting procedures for the preparation of the Company's separate and consolidated Financial Statements for the financial year 2023.

The Board of Statutory Auditors supervised compliance with the regulations relating to the formation and publication of the half-year Financial Report, as well as the approach given to it and the correct application of accounting principles, also using the information obtained from the Auditing Firm. The Board of Statutory Auditors has also obtained the certification of the half-year Financial Statements issued by the Financial Reporting Officer pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999, and subsequent amendments and integrations. The half-year financial report as of June 30, 2023, was approved by the Company's administrative body in

the meeting of September 21, 2023 and was published on the same date.

The Board of Statutory Auditors noted that the Company has voluntarily published the Additional Periodic Financial Reports for the first and third quarters of 2023, approved by the Board of Directors, respectively, in the meetings of May 9, 2023, and November 7, 2023.

Regarding corporate sustainability reporting, it is highlighted that the Company drafted and published its first Sustainability Report for the financial year ended on December 31, 2022, carried out in the Board of Directors meeting held on June 27, 2023. The Company, not legally obliged to prepare the Non-Financial Statement under Legislative Decree 254/2016, has thus chosen to provide a better understanding of the impact of ESG issues on the Company's activities.

Supervisory Activity on the effectiveness of Internal Control and Risk Management Systems

The Board of Statutory Auditors points out that the internal committees "Control, Risks, Related Party Transactions and Sustainability" and "Remuneration and Appointments" and the *Internal Audit* Function were established by resolution of the Board of Directors on October 13, 2021.

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

The Board of Statutory Auditors acknowledges having verified the most significant activities carried out by the internal control and risk management system through a specific exchange of information with the relevant departments.

As part of its control activities, in particular, the Board of Statutory Auditors acknowledges that it has received and examined:

- periodic reports on the activities carried out by the Control, Risks, Related Party Transactions and Sustainability Committee;
- quarterly reports issued by the Head of *Internal Audit*, containing periodic updates on the evolution of the risk management and mitigation process, the outcome of the monitoring and *assessment activities* carried out by the Internal Audit, as well as the objectives achieved.

The Board of Statutory Auditors attended all five meetings held by the Control, Risks, Related Party Transactions and Sustainability Committee and the three meetings of the Remuneration and Appointments Committee held during the year ended on December 31, 2023.

The Company has an Organization, Management and Control Model pursuant to Legislative Decree 231/2001 ("OMC Model") consisting of a General Part and several special parts referring to the different types of predicate offences and has adopted its own Code of Ethics. The Chairman of the Board of Directors has been given a mandate to organize training activities on these issues. The administrative body has also established the Supervisory Body in monocratic composition for a period corresponding to the duration of the Board of Directors and, therefore, until the approval of the Financial Statements as at December 31, 2023, assigning to the same Supervisory Body the tasks and powers specifically indicated in the OMC Model and assigning a specific annual budget that the Supervisory Body may have at its disposal for the proper performance of its duties and for the appointment of any external consultants.

The Company has prepared its whistleblowing policy in accordance with the provisions of Legislative

Decree no. 24/2023 (including the establishment of an encrypted channel for the protected management of reports) and has identified the head of the “Internal Audit” function as the person managing the whistleblowing reports.

The Board of Statutory Auditors periodically met with the Supervisory Body and examined the periodic reports on the activities carried out by the same and the annual report on the application of the OMC Model, verifying its activity plan. Similarly, the Board of Statutory Auditors took note of the Compliance activity pursuant to Legislative Decree 231/01 and the training provided to staff employed by the same Supervisory Body in mixed mode (online and in-person).

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

In light of the above and taking into account the evolution of the internal control and risk management system, on the basis of the analyses carried out and the information acquired, no elements have emerged that could lead us to consider the Company's internal control and risk management system as a whole to be inadequate.

Statutory audit of the separate Financial Statements and consolidated Financial Statements and independence of the Audit Firm

The Board of Statutory Auditors acknowledges that:

- the Audit Firm, appointed for the legal audit of the accounts for the period 2021-2029, carried out the checks required by the applicable regulations and in the meetings with the Board of Statutory Auditors did not highlight any facts and/or findings that could be reported in this document;
- the Board of Statutory Auditors supervised the legal audit of the annual accounts, informing and discussing with the Audit Firm.

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

The Board of Statutory Auditors monitored the independence of BDO Italia S.p.A., verifying the non-recurrence of non-audit services with reference to the Company and its subsidiaries and parent companies.

In this regard, the Board of Statutory Auditors reports that during the year, an additional assignment related to the attestation of the research and development tax credit was entrusted to the Audit Firm, as reported by the Company in the disclosure pursuant to Article 149-duodecies of the Issuers' Regulation within the Annual Financial Report. The Board of Statutory Auditors considers that the related fees are appropriate to the size, complexity and characteristics of the work carried out and that the assignments for the additional audit-related services do not threaten the auditor's independence; the Board of Statutory Auditors also verified that no non-audit related assignments were entrusted and that, therefore, there are no assignments given to the Audit Firm included among those prohibited under Article 5 of European Regulation 537/2014.

Given this, the Board of Statutory Auditors considers that the independence requirements of the Audit Firm is met, pursuant to Article 10 and 17 of Legislative Decree 39/2010 and Article 4 and 5 of

European Regulation 537/2014.

Finally, it is noted that on March 29, 2024, the Audit Firm:

- issued the Audit Report pursuant to Article 14 of Legislative Decree 39/2010 and Article 10, European Regulation 537/2014, which shows that the Company's Financial Statements as at December 31, 2023 comply with the EU-IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union, as well as with the provisions issued in implementation of Article 9 of Legislative Decree 38/2005, and are drafted clearly and truthfully and fairly represents the Company's financial position, economic results and cash flows for the year ended on that date. This report does not contain any findings or disclosure reminders;
- expressed its unqualified opinion on the compliance of the Financial Statements as at December 31, 2023 with the provisions of Delegated Regulation (EU) 2019/815 concerning the technical regulatory standards relating to the specification of the European Single Electronic Format (ESEF), attesting that the Financial Statements as at December 31, 2023 have been prepared in XHTML format in accordance with the provisions of the aforementioned Delegated Regulation;
- expressed its opinion on the consistency of the Directors' Report and some specific information contained in the Report on Corporate Governance and Ownership Structure with the Company's Financial Statements, confirming that the aforementioned reports were prepared in accordance with the law;
- issued the Audit Report pursuant to Article 14 of Legislative Decree 39/2010 and Article 10, European Regulation 537/2014, which shows that the Company's consolidated Financial Statements as at December 31, 2023 comply with the EU-IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union and are clearly prepared and truthfully and fairly represent the Group's financial position, results of operations and cash flows for the year ended on that date. This report does not contain any findings or disclosure reminders;
- expressed its unqualified opinion on the compliance of the consolidated Financial Statements as at 31 December 2023 with the provisions of Delegated Regulation (EU) 2019/815 on regulatory technical standards relating to the specification of the European Single Electronic Format (ESEF), certifying that the consolidated Financial Statements as at 31 December 2023 have been prepared in XHTML format and have been marked, in all significant aspects, in accordance with the provisions of the aforementioned Delegated Regulation;
- expressed its opinion on the consistency of the Directors' Report and some specific information contained in the Report on Corporate Governance and Ownership Structure with the Company's Financial Statements, confirming that the aforementioned reports have been prepared in accordance with the law;
- delivered to the Board of Statutory Auditors the Additional Report pursuant to Article 11, European Regulation 537/2014, in relation to which this supervisory body has no observations that could be reported in this document; the Board of Statutory Auditors also points out that the Additional Report does not reveal any significant deficiencies with regard to the internal control system.

The Board of Statutory Auditors points out that the Audit Firm, within the scope of the information included in the Additional Report, has provided confirmation of its independence pursuant to Article 6, par. 2, letter a) of European Regulation 537/2014.

Transactions, events and significant facts of particular importance.

The most significant transactions that took place in 2023 are highlighted with reference to the following aspects:

Sustainability and corporate welfare

- In January 2023, the Group signed a collective insurance policy with Intesa Sanpaolo that aims to protect employees from the economic consequences that may occur as a result of the onset of serious illness.
- On February 1, 2023, Civitanavi Systems Ltd, the majority shareholder of the Company, signed an addendum with the employees who are beneficiaries of the original Plan, in which the Parties agreed, by mutual consent, to modify the option rights assigned - free of charge - to employees, providing for the allocation, following the exercise of the options, of Civitanavi Systems SpA shares, instead of shares of the parent company Civitanavi Systems Ltd.
- On June 27, 2023, the Company's Board of Directors approved the 2022 Sustainability Report, the company's first ESG reporting document, which was prepared on a voluntary basis and was not subject to a limited review by an independent audit firm. The report identifies 9 measurable goals that recall the United Nations 2030 Agenda and the SDGs – Sustainable Development Goals, defined around the 12 material themes, grouped according to the ESG classification provided for by EU Directive 2022/2464 (CSRD). The 2023 Sustainability Report will be published in May 2024.
- In the fourth quarter of 2023, the Board of Directors of Civitanavi Systems SpA proceeded with the assignment of share options based on the compensation plan based on the allocation of Civitanavi Systems SpA ordinary shares submitted for approval by the Shareholders' Meeting on April 27, 2023.

Corporate Group

- On May 5, 2023, Civitanavi Systems SpA entered into an agreement for the purchase of a 30% stake in PV Labs Ltd, based in Canada, for a sum of USD 2.5 million. Civitanavi Systems' investment in PV Labs expands the market to which Civitanavi can target for its products.
- In September 2023, Civitanavi announced the opening of a new plant in Filton (Bristol County) in the United Kingdom. The new facility, owned by the subsidiary Civitanavi Systems UK Ltd, includes a manufacturing facility to create a hub for advanced navigation technologies and techniques in the UK.

Collaborations and strategic agreements

- On January 31, 2023, the "Aurora" project was launched for the creation of the Italian ecosystem for advanced air mobility (AAM). As part of the project, Civitanavi will contribute to the analysis of technological enablers for future Advanced Air Mobility (AAM) operations that include services for urban, sub-urban and inter-city transport of both people and cargo via vertical take-off and landing aircraft.

- On September 7, 2023, Civitanavi signed a letter of intent with Hanwha Systems Co., Ltd., ("HSC"), a Korean company active in the design, development, production and sale of electro-optical systems for air, naval and land platforms. The collaboration aims to develop state-of-the-art products that integrate Civitanavi's experience in GNSS and inertial navigation systems with HSC products.
- On September 14, 2023, Honeywell and Civitanavi Systems launched a new inertial measurement system (IMU) for the international market in the industrial and aerospace and defense sectors, the result of a commercial agreement between the two companies.

Capital Operations

- On May 31, 2023, Civitanavi Systems Ltd, the majority shareholder of the Company, signed the early closing agreement relating to the loan convertible into shares equal to Euro 5,063,000. Following the full subscription of the shares, the percentage of participation in the Company's share capital held by the lender, who already holds a stake equal to 0.98% of the share capital, is equal to 5.09% of the same. Civitanavi Systems Ltd therefore holds a stake equal to 66.21% of the Company's share capital, while the free float reaches 33.79%, benefiting the liquidity of the shares.
- The Shareholders' Meeting of April 27, 2023, resolved to launch a buyback plan until October 5, 2024 on a maximum number of own shares purchasable of 1,500,000 shares (equal to approximately 4% of the subscribed and paid-up share capital) corresponding to a maximum amount of 8,700,000 Euros.

Financial Operations

- During the third quarter of 2023, the Company signed two loan agreements for Euro 2,500 thousand each with a duration of five years, at a Euribor variable rate plus a spread.

With reference to the main events following the end of the 2023 financial year, it is noted that on March 27, 2024 the US company Honeywell, listed on the NASDAQ, announced its intention to acquire the entire share capital of Civitanavi Systems SpA.

Honeywell will launch a voluntary tender offer to acquire all the shares of Civitanavi Systems SpA for a purchase price of euro 6.30 per share in cash, corresponding to a total valuation of approximately 200 million euros. The transaction is not subject to any financing condition and is expected to close in the third quarter of 2024, subject to the following conditions:

- receipt of the necessary antitrust authorizations;
- receipt of the necessary authorizations under the regulations on foreign direct investment in Italy, the United Kingdom and Canada;
- offer of at least 95% of Civitanavi's outstanding shares.

Irregularities, Censurable Facts, Reports pursuant to Article 2408 of the Civil Code, atypical and/or unusual operations

Following the supervisory and control activities carried out during the year, the Board of Statutory Auditors can attest that:

- during the activity carried out, no omissions, irregularities or reprehensible or otherwise

significant facts have emerged that required reporting to the control bodies or mention in this Report;

- no complaints pursuant to Art. 2408 Civil Code nor reports from third parties were received by the Board of Statutory Auditors;
- no operations with third parties, intra-group and/or with related parties were identified that highlighted profiles of atypicality or unusualness, in terms of content, nature, dimensions, and temporal placement..

Intra-group or related-party transactions

Regarding the operations carried out within the Group and with related parties, identified based on the criteria defined by IAS 24, the Directors have provided in the explanatory notes to the annual Financial Statements – and mentioned in the Directors' Report – specific and precise information, particularly noting that the Company has maintained, at normal market conditions, relations with the subsidiary, with the Company's directors, and with companies and individuals connected to them.

With regard to these operations, the Directors, in the notes to the Financial Statements, indicated the characteristics of the commercial and financial relationships.

The Board of Statutory Auditors, as part of its activities and the checks carried out, considers that the amounts are reasonable and that the transactions carried out are in the interest of the Company.

Supervision of the consolidated Financial Statements

Since the Board of Statutory Auditors does not have to carry out analytical checks on the content of the consolidated Financial Statements or express an opinion on its reliability, the Board of Statutory Auditors is responsible for monitoring the directors' compliance with the procedural rules relating to the formation, filing and publication of the same.

The Board of Statutory Auditors therefore carried out an overall audit aimed at verifying the correctness of the process by which the consolidated Financial Statements were prepared, acquiring specific attestation from the Financial Reporting Officer.

Further supervisory activity related to the Financial Statements

The draft Financial Statements of Civitanavi Systems SpA, approved by resolution of the Board of Directors on March 14, 2024, have been delivered to the Board of Statutory Auditors.

With specific regard to the examination of the Financial Statements for the year ended on December 31, 2023 and the Directors' Report, the following is reported:

- the Board of Statutory Auditors has ascertained, through direct audits and information obtained from the Audit Firm, compliance with the rules relating to the structure inherent in the preparation of the Financial Statements and the Directors' Report accompanying them;
- the Financial Statements are accompanied by the Directors' Report, which summarizes the main risks and uncertainties and give an account of the outlook for operations. It complies with the regulations in force and is consistent with the resolutions of the administrative body and with

the results of the Financial Statements. It also contains adequate information on the activities of the year, on intra-group transactions and on the possible impacts on business objectives and risks deriving from the Russia-Ukraine conflict;

- information on transactions with related parties, identified on the basis of the criteria defined by IAS 24, was provided in the Explanatory Notes to the Financial Statements and referred to in the Directors' Report;
- the Financial Statements correspond to the facts and information of which the Board of Statutory Auditors has become aware in the exercise of its supervisory duties and its powers of control and inspection;
- as far as the Board of Statutory Auditors is aware, in preparing the Financial Statements, the Directors did not derogate from the provisions of the law pursuant to Article 2423, paragraph 5 of the Italian Civil Code;
- with regard to *corporate governance* and the procedures for the concrete implementation of the corporate governance rules, the Company has prepared a specific report pursuant to Article 123-bis of Legislative Decree no. 58/1998, which the Board of Statutory Auditors agrees with in terms of content;
- the supervisory and control activities carried out by the Board of Statutory Auditors, as described above, have not revealed significant facts to be mentioned in this report or to be reported to the supervisory and control bodies;
- pursuant to Article 123-ter of Legislative Decree 58/1998 (TUF), the Remuneration Report is presented to the Shareholders' Meeting, which the Board of Statutory Auditors - in a joint meeting with the Remuneration Committee - has examined and agreed with the approach followed in its preparation;
- the net result ascertained by the Directors for the year ended on December 31, 2023, as is also evident from the reading of the Financial Statements, reports a profit for the year of Euro 5,164,140.

Regarding *corporate governance* and the methods of concrete implementation of the corporate governance rules, the Board of Statutory Auditors acknowledges that the Company has formally adhered to the Corporate Governance Code for Italian listed companies; at its meeting of March 14, 2024, the Board of Directors approved the Report on Corporate Governance and Ownership Structure in accordance with Article 123-bis of Legislative Decree no. 58/1998, Article 89-bis of Consob Regulation 11971/1999 and in light of the recommendations of the Corporate Governance Code of Borsa Italiana. This Report also takes into account the "Format for the Report on Corporate Governance and Ownership Structure" (IX Edition January 2022) of Borsa Italiana SpA. The Report on Corporate Governance has been sent to the Board of Statutory Auditors in order to allow the verifications required by Article 149 of the TUF and to the Audit Firm for the activities provided for by Article 123-bis of the TUF. The Board of Statutory Auditors, having examined the Report, did not identify any critical issues.

Alternative performance indicators

In order to monitor the Company's performance, the Directors' Report contains, among other

things, the Alternative Financial and Capital Performance Indicators which, although not a substitute for the information provided by the Company's Financial Statements, denote a solid financial and capital situation of the Company with satisfactory liquidity.

Attestations

It should be noted that the Chief Executive Officer and the Financial Reporting Officer have issued the certifications required by Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments and additions, containing the declaration of adequacy in relation to the characteristics of the company and the effective application of the administrative and accounting procedures for the preparation of the separate and consolidated Financial Statements.

It should be noted, as reported in the aforementioned statements, *i)* that the Financial Statements for the year ended on December 31, 2023 are prepared in accordance with the applicable international accounting standards recognized by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002, *ii)* that the same corresponds to the results of the accounting books and records and *iii)* they are suitable to give a true and fair view of the issuer's financial position, economic, and financial situation. It is also attested that the management report includes a reliable analysis of the performance and result of operations, as well as the Issuer's situation, together with a description of the main risks and uncertainties to which they are exposed.

Proposal to the Shareholders' Meeting

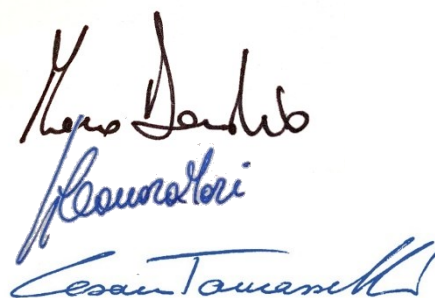
Based on the above reported summary of the supervisory activity carried out during the year, also taking into account the findings of the Audit Firm's report, the Board of Statutory Auditors has no observations on the Company's Financial Statements and related management report, nor on the Board of Directors' proposal to the Shareholders' Meeting on the allocation of the profit for the year ended on December 31, 2023, as follows:

- to legal reserve for Euro 156,122.54
- to extraordinary reserve for Euro 1,017,362.81
- for dividend distribution for Euro 3,990,655.50, corresponding to Euro 0.13 per share.

Pedaso, March 29, 2024

THE BOARD OF STATUTORY AUDITORS

Chairman	Dr. Marco Donadio
Auditor	Dr. Eleonora Mori
Auditor	Dr. Cesare Tomassetti



Handwritten signatures of the Board of Statutory Auditors: Marco Donadio, Eleonora Mori, and Cesare Tomassetti.