Civitanavi Systems S.p.A.

Interim report at 30 September 2021

SUMMARY

Report on Operation

Dear Sole Shareholder,

this report on operation to the interim financial statement for the period ended 30 September 2021, of Civitanavi Systems S.p.A. (hereinafter also the "Company") must be read together with the balance sheet, income statement, equity and cash flow statement that constitute the interim financial statements for the period ended 30 September 2021 prepared for inclusion in the Prospectus relating to the public offer for sale and subscriptions one of the shares of Civitanavi Systems S.p.A. for listing on the electronic stock market organized and managed by Borsa Italiana S.p.A. (the "Interim Financial Statements as at 30 September 2021").

With effect from 12 October 2021, the company was transformed into a joint-stock company by notarial deed of 7 October 2021, appointing the Board of Statutory Auditors.

On October 13, the ordinary shareholders' meeting accepted the resignation of the sole director and appointed a new administrative body composed of 3 members, providing for the appointment of an additional 2 independent directors, making the appointment subject to the condition suspended by the measure to start trading on the MTA of the Company's ordinary shares.

The Interim Report as at 30 September 2021 has been prepared in accordance with EU-IFRS. The financial statements that we submit for your approval close with a total profit of Euro 2,647 thousand, after accounting for taxes of Euro 1,106 thousand and depreciation and amortization for a total of Euro 773 thousand.

The Annual Report aims to provide information on the situation of the Company and on the performance of management as a whole and in the various divisions in which it operates, also through subsidiaries and is drawn up in accordance with the provisions of art. 2428 of the Civil Code.

Report on operations and analysis of profit at 30 September 2021

The Company, established in 2012, represents a solid company with three offices in the national territory, operating in the design, development and production of navigation and stabilization systems in the aerospace and defense divisions (naval, land, aeronautical and space) and industrial (mining, *oil & gas*, *tunnelling* and *horizontal drilling*) and business advisory services in the same divisions.

More specifically, the Company is a vertically integrated supplier of high-accuracy inertial systems, designed and manufactured with proprietary methods and techniques, based on both FOG technology (*Fiber Optic Gyroscope*) sia MEMS (*Micro Electro Mechanical Systems)*, integrated with satellite navigation devices (GPS).

Thanks also to the many years of experience in the field of the founders Andrea Pizzarulli and Michael Perlmutter, the Company quickly became an important *player* in the world market both for applications in the field of aerospace and defense and commercial, born as *start-up* innovative and becoming an innovative SME in 2017.

The Company carries out its activities at the registered and production headquarters in Pedaso (FM) and in two further offices, in Ardea (RM) and Casoria (NA). At the headquarters in Pedaso (FM) are located the administrative structure, the commercial structure, the main research and development center as well as the prototyping and industrial production plants. At the offices of Ardea (RM) and Casoria (NA), which are located in an area particularly dedicated to the development of activities in the aero-space field, the company carries out design activities complementary to those carried out at the main office. In the headquarters of Ardea (RM) are also carried out commercial activities particularly concentrated and aimed at operators in the Roman area. During the 2020 financial year, the Company established a company in London mainly dedicated to commercial activity.

The company confirms in 2021 the strong and constant growth trend, going from Euro 11,596 thousand in total revenue at September 30, 2020 to Euro 16,577 thousand at September 30, 2021.

In contrast to the usual trend observed in companies in the start-up phase, the company has grown steadily since the beginning both in terms of turnover and economic results. The ability to generate income since the establishment of the company, represents the uniqueness of Civitanavi Systems. The company is going through a phase of development with transformation phenomena that have affected the business, bringing it from the sale of services to the sale of products with high innovative and technological content. Full profitability has not yet been achieved, as profitability in 2020 and 2021 does not represent the company's growth potential. Similarly to the 2020 financial year, the interim financial statements at 30 September 2021 closed positively, increasing its turnover and market share, in a period conditioned by a global emergency situation that upset the balance from a social and economic point of view. The continuous limitations to mobility have directly affected the development of new businesses, as this type of market requires continuous direct confrontation with the potential customer. These slowdowns have postponed the finalization of important opportunities, so the first 9 months of 2021, although they show positive results, are not representative of the company's exponential growth trend.

The gross operating margin (Ebitda) for the first 9 months of 2021 is higher than in the same period of 2020, going from a percentage of total revenue of 24% to 28% at 30 September 2021. It should be noted that in the interim financial statements for the first 9 months of 2021, the Company capitalized on development costs of Euro 508 thousand. Normalising EBITDA at 30 September 2020 in relation to development costs, the percentage of the same on total revenue is equal to 35%. It is also specified that during the first 9 months of 2021 the company focused its development activity on programs commissioned by customers while significant internal development activity is expected in the fourth quarter of 2021.

The interim financial statements as at 30 September 2021 were affected by the following effects:

- significant increase in the finished products warehouse compared to the same period of 2020 in relation to goods ready to be shipped to the end customer but the shipment has been postponed to the month of October at the request of the customer. The relative margins are not reflected in this interim report. Going to recalculate the effect of the deferred margin, if the shipments had been confirmed by September 30, 2021, the company would have finally reported an Ebitda of 34.15%.

- significant increase compared to the same period of 2020 in sales of types of products with different margins. As already argued in the three-year financial statements for the years ended 31 December 2020, 2019 and 2018, it is recalled that the company considered it strategic, within an agreement with a leading customer in the Aerospace & Defense sector, to sell a significant number of KIT, substantially at cost price. This agreement penalized the margins of the year 2020 (sales year 2020 equal to Euro 1,643 thousand) and in particular of the first 9 months of 2021 (sales 2021 at 30 September equal to Euro 2,458 thousand) but at the same time retains a commercial relationship with an international player with very high growth potential and also represents an important opportunity for additional profitability from 2022 deriving from Royalties associated with the sale of the KIT transformed by the customer.

With reference to the divisions of activities in which the Company operates, we highlight in the following table the data achieved in the last period compared to the previous period.

in thousands of Euros	**September 30, 2021**	**September 30, 2020**
Aerospace and Defence	7.815	6.454
Industrial	6.325	4.181
Other	87	2
Change in Inventories PF and SL	2.269	786
Total operating revenue	**16.495**	**11.423**

Operating revenue of euro 16,495 thousand for the period ended September 30, 2021 increased by 44% compared to the same period of 2020.

The following are the prospectuses, reclassified according to the current practice of financial analysis, of the economic, equity and financial data referring to the period ended 30 September 2021 compared with 30 September 2020 (economic data) and with 31 December 2020 (balance sheet and financial data).

Analysis of economic information reclassified

in thousands of Euros and percentage of Total Revenue	**September 30, 2021**	**%**	**30 September 2020**	**%**
Operating revenue	16.495	100%	11.423	99%
Other revenue and income	82	0%	173	1%
Total revenue	**16.577**	**100%**	**11.596**	**100%**
Raw material costs and inventory changes	6.145	37%	3.667	32%
Costs for services	2.623	16%	1.908	16%
Personnel costs	3.106	19%	3.093	27%
Other operating costs	125	1%	108	1%
Total operating costs	**11.999**	**72%**	**8.775**	**76%**
Operating profit (EBITDA)	**4.579**	**28%**	**2.820**	**24%**
Write-downs of financial assets	20	0%	17	0%
Depreciation and amortization	753	5%	702	6%

Operating profit (EBIT)	**3.805**	**23%**	**2.101**	**18%**
Net financial income	60	0%	19	0%
Net financial charges	(157)	(1%)	(139)	(1%)
Profit (Loss) before tax	**3.709**	**22%**	**1.981**	**17%**
Income taxes expense	(1.106)	(7%)	(474)	(4%)
PROFIT / (LOSS) FOR THE YEAR (A)	**2.603**	**16%**	**1.506**	**13%**
Other Profits/(Losses) of the Comprehensive Income Statement net of the tax effect	**2.603**	**16%**	**1.506**	**13%**
Profits/(Losses) from remeassuring liabilities employee plans to defined benefits	32	0%	0	0%
Coperture Cash flow Hedge	12	0%	(1)	0%
TOTAL PROFIT/(LOSS) FOR THE YEAR (A) + (B)	**2.647**	**16%**	**1.505**	**13%**

The economic profit for the nine-month period ended September 30, 2021 of operating operations are as follows: total revenue of Euro 16,577 thousand (Euro 11,596 thousand at September 30, 2020); EBITDA of Euro 4,597 thousand (Euro 2,820 thousand at September 30, 2020); EBIT of Euro 3,805 thousand (Euro 2,101 thousand at September 30, 2020).

Analysis of financial information reclassified

in thousands of Euros	**September 30, 2021**	**December 31, 2020**
Trade Receivables	4.101	6.527
Activities for work in progress on order	16.537	12.411
Inventories	5.912	2.951
Trade payables	(1.776)	(1.968)
Advance payments on work in progress	(13.536)	(11.769)
Commercial net working capital	**11.237**	**8.152**
Other current assets	1.234	1.412
Tax debts	(530)	(768)
Other current liabilities	(1.893)	(1.376)
Net working capital	**10.047**	**7.419**
Tangible assets	1.928	2.171
Right of use assets	1.908	1.882
Other intangible assets	642	290
Investments	50	50
Deferred tax assets	3.535	3.792
Employee Benefits obligations	(753)	(656)
Provisions for risks and charges	(10)	(250)
Deferred tax liabilities	(13)	(14)
Net fixed assets	**7.287**	**7.266**
Net invested capital	**17.335**	**14.685**
Net financial debt	(1.271)	(1.268)
Equity	(16.064)	(13.417)
Total equity and net financial debt	**(17.335)**	**(14.685)**

Net fixed assets at 30 September 2021 were substantially in line with 31 December, against the combined effect: *i*) the decrease in tangible assets of Euro 243 thousand mainly due to the accounting of the depreciation portion for the period, *ii*) the increase in intangible assets of Euro 352 thousand mainly due to the capitalization of development costs for the period, *iii*) the decrease in risk and charges of Euro 240 thousand due to the release of the fund for future losses committed and *iv*) the decrease in deferred tax assets of Euro 257 thousand.

The balance of net working capital at September 30, 2021 amounted to Euro 10,047 thousand, an increase compared to the previous period of Euro 2,628 thousand (Euro 7,419 thousand at December 31, 2020); the increase recorded is mainly attributable to the combined effect: *i*) the decrease in trade receivables recorded during 2021 (- Euro 2,426 thousand compared to December 31, 2020); ii) the increase in the combined effect of items attributable to work in progress on order (Activities for work in progress on order and Advances for work in progress on order) which compared to the previous period increased by Euro 2,360 thousand; iii) the increase in inventories of Euro 5,912 thousand (+ Euro 2,961 thousand compared to December 31, 2020); iv) the decrease recorded by other current assets and liabilities of Euro 695 thousand.

Shareholders' equity at 30 September 2021 increased as a result of the profit for the period.

For an understanding of the changes in net financial debt, please refer to the following paragraph.

Analysis of net financial indebtedness and net Financial position

The evolution of net financial indebtedness in the period from 31 December 2020 to 30 September 2021 is reported below..

in thousands of Euros	**September 30, 2021**	**December 31, 2020**	**Changes 2021 vs 2020**	
A. Cash and cash equivalents	7	4	4	92%
B. Means equivalent to cash and cash equivalents	1.743	5.593	(3.850)	(69%)
C. Other current financial assets	3.014	0	3.014	100%
D. Liquidity (A)+(B)+(C)	**4.764**	**5.597**	**(833)**	**(15%)**
E. Current financial debt (including debt instruments, but excluding the current part of non-current financial debt)	(2.878)	(3.505)	627	(18%)
F. Current part of non-current liability	(320)	(376)	57	(15%)
G. Current financial debt (E)+(F)	**(3.197)**	**(3.881)**	**684**	**(18%)**
H. Net current financial debt (G)-(D)	**1.567**	**1.716**	**(149)**	**(9%)**
I. Non-current financial debt (excluding current account and debt instruments)	(2.838)	(2.983)	145	(5%)
J. Debt instruments	0	0	0	0%
K. Trade payables and other non-current liabilities	0	0	0	0%
L. Non-current financial debt (I)+(J)+(K)	**(2.838)**	**(2.983)**	**145**	**(5%)**
M. Total financial debt (H)+(L)	**(1.271)**	**(1.268)**	**(3)**	**0%**

The Company has a net financial debt of Euro 1,271 thousand and equal to Euro 1,268 thousand, respectively at September 30, 2021 and December 31, 2020.

Net financial debt at 30 September 2021 is therefore in line with the previous period mainly due to the combined effect of: (i) the decrease in liquidity to Euro 833 thousand, due to the liquidity absorbed by operating operations during the year and (ii) the reduction in financial debt, equal to Euro 829 thousand, mainly attributable to the repayment of the current portion of the long-term financial debts partly offset by the signing of a MISE loan.

On December 21, 2018, the Company issued a bond maturing December 21, 2024 with an initial nominal value of Euro 5 million subscribed by a qualified investor pursuant to art. 2483 c.c.

The regulation of the bond issue provides that the Company must comply with certain obligations and / or commitments not to do including in particular the obligation to not to assume additional medium-long term financial debt in any form for a capital amount individually exceeding Euro 400 thousand per single year, and a total exceeding Euro 2,000 thousand for the entire duration of the same.

As at 31 December 2019, the Company did not comply with this commitment, having signed a new loan agreement with Banca Intesa Chirografario (soft loan) for a capital amount of Euro 500 thousand during the year, despite having promptly informed Unicredit of the situation, obtaining an informal consent from the Credit Institution. Please note that on October 27, 2021, the Company received the waiver from Unicredit, formally healing the position.

Furthermore, at 31 December 2020 and 30 September 2021, the Company did not comply with the aforementioned contractual commitment, having contracted new financial debt during the 2020 financial year, called Financing MidSe 2018 (subsidized loan), obtained for a principal amount of Euro 877 thousand. In this regard, it should be noted that, as described in the previous

point, the Company has maintained informal contacts with Unicredit on the basis of which it has obtained an informal consent to the transaction. At the date of this document, the Company has been informed that Unicredit should resolve on the waiver in the short term.
The company does not have financing contracts in place that require compliance with financial parameters.

It should be noted that at September 30, 2021, the Company's net financial debt, calculated net of the effect deriving from the application of IFRS16, was positive and amounted to Euro 767 thousand (Euro 699 thousand at December 31, 2020).

Cash flow statement

The cash flow statement at 30 September 2021 compared with the previous period is shown below.

in thousands of Euros	**30.09.2021**	**30.09.2020**
Profit before taxes	**3.709**	**1.981**
Depreciation and amortization	753	702
Other non-monetary changes	327	360
Operating Cash Flow	**4.789**	**3.043**
Change in inventories	(3.011)	(1.427)
Change in trade receivables	2.406	268
Change in activities for work in progress on order and advances on work in progress	(191)	(351)
Change in trade payables	(2.360)	(1.577)
Change in other assets and liabilities	(662)	340
Change in Working Capital	**(3.817)**	**(2.747)**
(Investments) net in tangible fixed assets	(186)	(616)
Rights of use (*)	(167)	(93)
(Investments) net intangible assets	(535)	(162)
(Investments) net in other material assets	0	0
Net change in other non-current liabilities	(87)	(120)
Total non-current assets/liabilities	**(975)**	**(990)**
FREE CASH FLOW	**(3)**	**(695)**
Initial net financial debt	**(1.268)**	**(1.656)**
Cash flow of the period	(3)	(694)
Final net financial debt	**(1.271)**	**(2.350)**

(*) Accounting for contracts of *lease* as per IFRS16, this item is not present in the Cash Flow Statement present in the financial statements as no monetary financial movement occurs at the time of registration of the value of the Right of Use.

During the interim period ended September 30, 2021, operating activities generated more liquidity than in the interim period ended September 30, 2020 for Euro 1,746 thousand, mainly due to the increase in EBITDA (Euro 4,579 thousand at September 30, 2021 vs 2,820 thousand at September 30, 2020), partially offset by a higher cash flow absorbed by working capital of Euro 1,070 thousand (cash absorption of Euro 3,817 thousand at September 30, 2021 vs Euro 2,747 thousand at September 30, 2020).

During the interim period ended September 30, 2021, net investment assets and the net change in other non-current liabilities collectively absorbed liquidity of Euro 975 thousand, substantially in line with the interim period ended September 30, 2020, a period in which net investment assets and the net change in other non-current liabilities absorbed liquidity totaling Euro 990 thousand.

At September 30, 2021, the Company therefore absorbed cash-flow for a total of Euro 3 thousand, down compared to the same previous period for Euro 691 thousand.

Alternative Performance Indicators (APIs) Non Gaap Mesurements

APIs refer to measures used by the Company's management to analyze the company's trends and performances and which derive directly from the financial statements although they are not provided for by IAS/IFRS. It should be noted that APIs as defined may not be comparable to measures with a similar name used by other companies.

The following are the Company's main economic key data, referring to the period ended 30 September 2021 and the period ended 30 September 2020.

in thousands of Euros, ratios and percentages	**30.09.2021**	**30.09.2020**	**Changes 2021 vs 2020**	
EBIT (1)	3.805	2.101	1.705	81%
EBIT *margin* (1)	23%	18%		4,8%
EBITDA (2)	4.579	2.820	1.758	62%
EBITDA *margin* (2)	27,6%	24,3%		3,3%
EBITDA *Adjusted* (3)	4.579	4.025	553	14%
EBITDA *margin Adjusted* (3)	27,6%	34,7%		(7,1%)
ROS (6)	23,0%	18,1%		4,8%

The following are the Company's main economic key data, referring to the period ended 30 September 2021 and the year ended 31 December 2020.

in thousands of Euros, ratios and percentages	**30.09.2021**	**31.12.2020**	**Changes 2021 vs 2020**	
ROE (4) (*)	43,5%	43,9%		(0,4%)
ROI (5) (*)	22,0%	27,5%		(5,5%)

(*) Economic data used for the calculation of AIPs as at 30 September 2021 covering the 12-month period from 1 October 2020 to 30 September 2021.

(1) EBIT is a useful unit of measurement for assessing the Company's ability to generate profit exclusively from operations excluding the deduction of financial charges and taxes. EBIT *margin* expresses EBIT as a percentage of the total revenue achieved in the year/period of reference.
(2) EBITDA is a useful unit of measurement for the evaluation of the Company's operating performance; is calculated as profit or loss for the year/period before income tax, financial income and expense, depreciation, amortization, write-downs and net write-downs of financial assets. EBITDA *margin* is an index that measures the Company's operating profitability as a percentage of total revenue achieved in the reporting year/period and is defined as the ratio of EBITDA to total revenue.
(3) EBITDA *Adjusted* is calculated as profit or loss for the year/period before income tax, financial income and expense, depreciation, write-downs and net write-downs of financial assets, foreign exchange gains or losses, the effects of non-recurring transactions and the effects of certain events and transactions that Management considers unrelated to the Company's operating performance. The following are the elements considered in the calculation of the indicator by the Company: as of September 30, 2020, the Company incurred costs for product development activities amounting to Euro 1,205 thousand; at September 30, 2021, this type of cost, equal to Euro 508 thousand, were capitalized among the intangible assets in progress.
(4) ROE is an index that measures the profitability relative to the Company's equity capital. It is calculated as the ratio between the profit for the year/period and the shareholders' equity of the same.
(5) The ROI is an index that indicates the profitability and economic efficiency of the characteristic management by comparing EBIT to net invested capital (sum of net fixed capital and net working capital).
(6) The ROS is an index that expresses the company's profitability in relation to the remunerative capacity of the revenue stream by comparing EBIT to Total Revenue.

The following are the main alternative performance key indicators relating to the balance sheet data for the period ended 30 September 2021 and for the year ended 31 December 2020.

in thousands of Euros, ratios and percentages	**30.09.2021**	**31.12.2020**	**Changes 2021 vs 2020**	
Net Financial Debt (1)	1.271	1.268	3	0%
Net Financial Debt / Equity	0,08	0,09	(0,02)	(16%)
Net Financial Debt / EBITDA (*)	(0,28)	(0,25)	(0,02)	10%
Average days of collection of trade receivables (2) (*)	62	125	(62)	(50%)
Trade receivables turnover index (3) (*)	5,9	2,9	2,9	101%
Average days of payment of trade payables (4) (*)	51,4	76,3	(24,9)	(33%)
Trade payable turnover index (5) (*)	7,1	4,8	2,3	48%
Stock turnover index (6) (*)	4,1	6,5	(2,4)	(37%)
Net fixed assets (7)	7.287	7.266	22	0%
Net commercial working capital (7)	11.237	8.152	3.085	38%
Net working capital - CCN (7)	10.047	7.419	2.628	35%
Net invested capital - CIN (7)	17.335	14.685	2.650	18%

(*) Economic data used for the calculation of PAHs as at 30 September 2021 covering the 12-month period from 1 October 2020 to 30 September 2021.

(1) As calculated in the paragraph Analysis of net financial debt and net financial position of this document.
(2) The average days of collection of trade receivables indicate the average time of collection of trade receivables from the Company's customers expressed in days. It is calculated as the ratio of (i) trade receivables to (ii) total revenue. This ratio is multiplied by 365 days.
(3) The trade receivables turnover index is an index that expresses the number of times trade receivables are renewed during the year. It is calculated as the ratio between (i) total revenue and (ii) end-of-period trade receivables.
(4) The average days of payment of trade payables indicate the average time of payment of trade payables to the Company's suppliers expressed in days. It is calculated as the ratio between: (i) trade payables and (ii) costs for raw materials, subsidiaries, consumption and goods, changes in inventories and costs for services of a commercial nature. This ratio is multiplied by 365 days.
(5) The trade payable turnover index is an index that expresses the number of times trade payables are renewed during the year. It is calculated as the ratio between: (i) costs for raw materials, subsidiaries, consumption and goods, changes in inventories and costs for services of a commercial nature; and (ii) end-of-period trade payables.
(6) The inventory turnover index is an index that expresses the number of times inventory inventories are renewed during the year. The index is calculated as the ratio between the sum of (i) raw material, subsidiary, consumption and commodity costs and (ii) change in inventories and (iii) end-of-period inventories.
(7) As calculated in the paragraph Analysis of reclassified asset data.

Investments

Investments relating to tangible fixed assets for the period ended September 30, 2021, amounting to Euro 186 thousand, mainly concerned the purchase of production machinery and instrumentation for the expansion of the production area. The investment had the objective of increasing the production capacity of the company.

Research and development activities.

During the nine-month period ended 30 September 2021, the Company continued its intensive research and development activities. The development costs incurred, amounting to Euro 508 thousand, were capitalised by the Company under the item Intangible assets in progress as they relate to development projects still outstanding at the closing date of the interim financial statements.

The research and development activity carried out during the period ended 30 September 2021 focused on four projects for which information on the type and costs are briefly provided below, specifying that, the latter, have been determined pursuant to the Decree of the Ministry of Economy n.76 of 28/3/2008.

Project 1 – FOG-PIC
The present experimental development project, called RD550 "FOG-PIC" (Fiber Optic Gyroscope Photonic Integrated Circuit), already started previously, consists in the technological development, design, prototyping and experimentation of an innovative photonic device to be used as a strategic component within a triad of gyroscopic sensors, for applications in advanced sectors of aerospace and avionics. These devices are used within inertial Measurament Unit (IMU) and Inertial Navigation Systems (INS), for stabilization and inertial navigation.

Project 2 – NEW HIGH INTEGRATION ARCHITECTURES
The present project, called "New high integration architectures", refers to the research, conception, design and prototyping of innovative technological architectures with high integration and modularity for inertial navigation.
The booming new sector of Unmanned Aircraft Systems (UAS) with vertical take-off and landing (eVTOL) requires new, simpler and more compact avionics for flight control, navigation and vehicle management.
The current generation of avionics equipment on the market (state of the art) is not suitable to meet various requirements.
The results achieved with the present project can be the basis for sensors suitable for avionics and space applications (advantages for the entire reference sector), where the need to comply with high levels of vibrations and shocks is required.
The various activities carried out and the innovative technical solutions of this experimental development project (product innovation) have made it possible to successfully define new architectures and solutions aimed at significantly evolving inertial platforms in the direction of ever greater compactness and integration, while also maintaining particular attention to the characteristics of "safety" (advantages for the entire reference sector).

Project 3 - MIMU-M
The MIMU-M project is part of a market for inertial navigation products (AHRS) based on MEMS technology which, by the nature of the sensor, covers an 'average' accuracy range.
The company wanted to raise MEMS technology to a significantly higher level of accuracy, reliability and performance through a series of innovative and original technological solutions that mainly concern the MEMS sensor and its correlation in AHRS.
The sensor data is then implemented in the system through new and complex algorithms, designed and built to achieve high

accuracy.

Project 4 – TIGHTLY COUPLED
The project concerns the creation of an innovative technological architectural environment for development and simulation containing equipment related to inertial navigation and able to provide, for the subsystems inside, all the input and output quantities.

Project 5 – High performance MEMS
Study and prototyping of a miniaturized accelerometer in MEMS (Micro Electrical Mechanical System) technology of new conception and accuracy that in combination with FOG-PIC create competitive advantages and enabling solutions for more reliable navigation systems more precise and more compact in size, weight and power consumption.

Forecast for operations.

The health emergency resulting from the spread of the "Covid-19" virus, declared a global pandemic on 11 March 2020 by the WHO, in Italy as in the rest of the world has had and will have considerable consequences also at an economic level for most of the current year.
The projections of the reference market have also been affected by the pandemic effects and have been revised downwards, however at the moment there are concrete signs of recovery with a forecast of GDP growth.
Management is continuing to smoothly proceed and based on currently available evidence, it is believed that the company will not be significantly impacted by the continuation of the pandemic situation, except in terms of slowing growth.
It is specified that in 2021 the company has entered into a multi-year contract with a leading US company in the aerospace sector for the development of an inertial measurement unit and a multi-year partnership with a leading company in the Aerospace and Defense sector.

Principal risks and uncertainties

For further details see the paragraph "Management Of Risks financial" of illustrative note.

Relations with Subsidiaries, Associates, parent companies

With regard to relations with subsidiaries, associates, parent companies, please refer to the analytical indications contained in the notes to comment on this financial statements and, as required by art. 2497 – bis of the Civil Code.

For more details, please refer to the paragraph "Transactions with related parties" of the Explanatory Notes.

The Chairman of the Board of Directors

Interim financial statement at

September 30, 2021

INTERIM FINANCIAL STATEMENT AT 30 SEPTEMBER 2021

Statement of financial position

(Euro)	Note	As of September 30, 2021	As of December 31, 2020
Assets			
Non-current assets			
Intangible assets	6.1	642.216	289.798
Right of use assets	6.2	1.908.391	1.882.498
Tangible assets	6.3	1.927.962	2.170.874
Investments in subsidiaries and other non current assets	6.4	50.282	50.282
Deferred tax activities	6.5	3.534.773	3.791.685
Total non-current assets		**8.063.625**	**8.185.136**
Current assets			
Inventories	6.6	5.911.772	2.950.863
Trade receivables	6.7	4.100.660	6.527.072
Activities for work in progress on order	6.8	16.536.815	12.410.848
Other receivables	6.9	1.233.650	1.411.740
Other receivables and current assets	6.10	3.014.100	0
Cash and cash equivalents	6.11	1.750.116	5.596.905
Total current assets		**32.547.113**	**28.897.428**
TOTAL ASSETS		**40.610.738**	**37.082.564**

(Euro)	Note	As of September 30, 2021	As of December 31, 2020
Share Capital		500.000	500.000
Reserves		12.960.760	7.025.703
Net profit		2.603.096	5.891.315
Total equity	6.12	**16.063.856**	**13.417.018**
Non-current liabilities			
Non-current financial liabilities	6.13	942.355	1.155.350
Non-current lease liabilities	6.2	1.895.703	1.828.137
Deferred tax liabilities	6.5	13.328	13.577
Provision for Employee benefit obligations	6.14	752.948	655.934
Provision for risks	6.15	9.880	249.926
Total non-current liabilities		**3.614.214**	**3.902.925**
Current liabilities			
Current financial liabilities	6.13	3.055.162	3.742.501
Current lease liabilities	6.2	142.061	138.572

Trade payables	6.16	1.776.341	1.967.692
Advance payments on Wip assets	6.8	13.535.858	11.769.412
Tax debts	6.17	529.973	768.273
Current tax payables	6.18	1.893.271	1.376.172
Total current liabilities		**20.932.667**	**19.762.621**
TOTAL EQUITY AND LIABILITIES		**40.610.738**	**37.082.564**

Income statement

(Euro)	Note	Period closed to 30 September 2021	Period closed to 30 September 2020
Operating revenues	7.1	16.495.161	11.422.563
Other revenues and income	7.2	82.162	172.983
Total Revenues		**16.577.323**	**11.595.546**
Raw material costs and inventory changes	7.3	6.144.887	3.666.889
Personnel costs	7.4	3.105.617	3.092.701
Costs for services	7.5	2.623.177	1.907.594
Other operating costs	7.6	125.037	108.029
Gross Operating Margin (EBITDA)		**4.578.605**	**2.820.334**
write-downs of financial assets	7.7	20.000	17.382
Depreciation and amortization and write-downs	7.8	753.189	702.241
Operating profit (EBIT)		**3.805.416**	**2.100.711**
Financial income	7.9	60.224	18.556
Financial charges	7.9	(156.645)	(138.514)
Profit before taxation		**3.708.994**	**1.980.753**
Income taxes	7.10	(1.105.898)	(474.489)
Net profit		**2.603.096**	**1.506.264**

Statement of comprehensive income

(Euro)	Note	30 September 2021	30 September 2020
Net profit		**2.603.096**	**1.506.264**
Other total profits/(losses) that will subsequently be reclassified into profit/(loss) for the year:		0	0
Profit/(loss) on the effective part of the hedging instruments (cash flow hedge)	6.13,6.12	11.977	(1.267)
Total other components of the income statement		**11.977**	**(1.267)**
Other components of the comprehensive income statement that will not be reclassified in the income statement in subsequent years		0	0
Actuarial gains (losses) for defined benefit employee plans	6.12, 6.14	31.765	0
Total other components of the income statement		**31.765**	**0**
Overall net profit		**2.646.838**	**1.504.997**

Statement of changes in equity

(Euro)	**Share Capital**	***Reserves***								**Net profit**	**Total equity**
		Shares premium reserve	***Legal reserve***	***Extraordinary reserve***	***Derivative negative reserve***	***first adoption reserve***	***Actuarial gains and losses reserve***	***Other reserves***	***Retained earnings***		
To 1 January 2020	**500.000**	**0**	**100.000**	**6.735.007**	**(48.826)**	**(32.454)**	**(37.033)**	**357**	**(3.487.305)**	**3.813.707**	**7.543.452**
Net profit	0	0	0	0	0	0	0	0	0	5.891.315	5.891.315
Total other components of the income statement	0	0	0	0	3.171	0	(36.339)	0	0	0	-33.168
Overall net profit	*0*	*0*	*0*	*0*	*3.171*	*0*	*(36.339)*	*0*	*0*	*5.891.315*	**5.858.147**
Allocation of net profit for the previous year	0	0	0	2.386.995	0	0	0	2.244	1.424.468	(3.813.707)	0
Other movements	0	0	0	0	0	0	0	0	15.418	0	15.418
Dividends distributed	0	0	0	0	0	0	0	0	0	0	0
As of December 31, 2020	**500.000**	**0**	**100.000**	**9.122.002**	**(45.655)**	**(32.454)**	**(73.372)**	**2.600**	**(2.047.419)**	**5.891.315**	**13.417.018**
As of January 1, 2021	**500.000**	**0**	**100.000**	**9.122.002**	**(45.655)**	**(32.454)**	**(73.372)**	**2.600**	**(2.047.419)**	**5.891.315**	**13.417.018**
Net profit	0	0	0	0	0	0	0	0	0	2.603.096	2.603.096
Total other components of the income statement	0	0	0	0	11.977	0	31.765	0	0	0	43.742
Overall net profit	*0*	*0*	*0*	*0*	*11.977*	*0*	*31.765*	*0*	*0*	2.603.096	**2.646.838**
Allocation of net profit for the previous year	0	0	0	1.332.613	0	0	0	(2.600)	4.561.302	(5.891.315)	0
Other movements	0	0	0	0	0	0	0	0		0	0
Dividends distributed	0	0	0	0	0	0	0	0	0	0	0
As of September 30, 2021	**500.000**	**0**	**100.000**	**10.454.615**	**(33.678)**	**(32.454)**	**(41.607)**	**0**	**2.513.883**	**2.603.096**	**16.063.855**

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in thousands of Euros	Note	As of September 30, 2021	As of 30 September 2020
Profit before taxes		**3.708.994**	**1.980.753**
- Adjustements for:			
Depreciation and amortization	7.7. - 7.8	753.189	702.241
Losses / (capital gains) from disposal	7.2 - 7.6	(150)	4.548
Financial expenses / (income)	7.9	96.422	119.958
Income and expenses from equity investments		0	0
Other non-monetary changes		230.652	235.173
Cash flow generated / (absorbed) from operating activities before changes in net working capital		**4.789.106**	**3.042.673**
Change in inventories	6.6	(3.010.909)	(1.427.470)
Change in trade receivables	6.7	2.406.413	267.870
Change in trade payables		(191.350)	(350.865)
Change in activities for work in progress on order and advances on work in progress	6.15	(2.359.521)	(1.576.724)
Change in other assets and liabilities	6.9 - 6.18	55.471	283.688
Cash flow generated / (absorbed) by operating activities		**1.689.209**	**239.173**
Use of provisions for risks and charges and provisions for employee benefits	6.14 - 6.15	(269.612)	(81.649)
Taxes paid	7.10	(447.816)	137.977
Net cash flow generated / (absorbed) from operating activities (A)		**971.781**	**295.501**
Investments/Disposals in tangible assets	6.3	(186.325)	(615.729)
Investments/Disposals in intangible assets	6.1	(535.128)	(161.519)
Repayments of financial receivables to subsidiaries		0	(1)
Investments in equity investments and securities	6.4	0	0
Net cash flow generated / (absorbed) by investment activities (B)		**(721.453)**	**(777.249)**
Ignitions/Repayments of long-term financial debts	6.13	(840.729)	(933.889)
Change in current financial payables	6.13	(50.051)	1.311
Repayments of liabilities for leasing	6.2	(105.635)	(87.456)
Financial charges paid	7.9	(113.676)	(138.514)
Financial income received	7.9	27.073	18.556
Other non-fixed assets	6.10	(3.014.100)	0
Net cash flow generated/(absorbed) from financial assets (C)		**(4.097.118)**	**(1.139.993)**
Total change in cash and cash equivalents (A)+(B)+(C)		**(3.846.790)**	**(1.621.740)**
Cash and cash equivalents at the beginning of the year		**5.596.905**	**5.691.922**
Total change in cash and cash equivalents		(3.846.789)	(1.621.740)
Cash and cash equivalents at the end of the year		**1.750.116**	**4.070.182**

ILLUSTRATIVE NOTES TO THE FINANCIAL STATEMENT INTERMEDIATE AT 30 SEPTEMBER 2021

1. Information General

1.1 Premise

Civitanavi Systems S.p.A. (hereinafter "**Civitanavi**" or the "**Company**") is a company incorporated and domiciled in Italy, with registered office in Pedaso (FM), Via del Progresso n. 5, organized according to the ordering of the Italy.
Civitanavi is controlled by Civitanavi Systems Ltd, which directly owns the 100% of the capital Social.

The company operates in the design, development and production of inertial navigation and stabilization systems used in the industrial (mining, oil & gas) and aerospace and defense (naval, land, aeronautical and space) divisions. The company is a vertically integrated supplier of high-accuracy systems, designed and manufactured with proprietary methods and techniques, based both on FOG (Fiber Optic Gyroscope) technology, and on MEMS (Micro Electro Mechanical Systems) technology, possibly also integrated with other devices for satellite navigation (GPS, air velocity data, odometers, etc.). The inertial navigation and stabilization systems created by the Company, thanks to the application of the FOG and MEMS technologies mentioned above, allow (i) autonomous inertial navigation (without GPS) and high precision, (ii) stabilization, (iii) the precise orientation (direction with respect to the geographical north) of the mobile device on which it is applied. The company carries out its activities at the registered and production headquarters in Pedaso (FM) and in two further offices, in Ardea (RM) and Casoria (NA). At the headquarters in Pedaso (FM) are located the administrative structure, the commercial structure, the main research and development center, as well as the prototyping and industrial production plants.

2. Summary of accounting policies adopted

2.1 Introduction

The company is availed of faculty from ecree Legislative 28 February 2005, n. 38, What subsequently amended, which regulates the exercise of the options provided for in Article 5 of the Regulation European No. 1606/2002 on international accounting standards, and has voluntarily adopted the *International Financial Reporting Standards*, issued by the*International Accounting Standards Board*and adopted by the European Union (i "**International Accounting Standards**") for the preparation of its interim financial statements for the period ended 30 September 2021.

It should be noted that this interim report for the period ended 30 September 2021 (hereinafter "**Interim Report as at 30 September 2021**") has been drafted from company on a voluntary basis in agreement with i Principles Accounting International (hereinafter also "**EU-IFRS**"), as part of the process of listing the Company's shares on the Italian stock Exchange organized and managed by Borsa Italiana S.p.A., for the purpose of its inclusion in the Offer Prospectus.

Below are the main accounting policies and principles applied in the preparation of the Financial Statements Intermediate to 30 September 2021.

2.2 Declaration of compliance with international accounting standards

The financial statement at 30 September 2021 is drafted on compliance of Principles Accounting International approved from European Commission and in force on the same date. EU-IFRS means all "*International Financial Reporting Standards*", everybody the "*International Accounting Standards*" (IAS) and allthe Interpretations dell'"*International Financial Reporting Interpretations Committee*" (IFRIC), previously called "*Standing Interpretations Committee*" (SIC).
The financial statements have been prepared with a view to business continuity. The Company, in fact, has assessed that, despite the presence of a general economic and financial context characterized by the effects of the Covid-19 pandemic, there are no significant uncertainties about business continuity.

2.3 Principal accounting policies

The Interim Financial Statements as at 30 September 2021 consist of the mandatory financial statements provided for by IAS 1, i.e. the prospectus of situation patrimonial and Financial From account economic From account economic overall, the statement of changes in shareholders' equity and the cash flow statement, as well as the note illustrative and it is accompanied by the relation of the Board of Directors on the trend of management.

The Company has chosen to represent the income statement by nature of expense, while the assets and liabilities of the balance sheet and financial position are divided between current and non-current. The cash flow statement is drawn up according to the indirect method. The schemes used are those that best represent the situation economic patrimonial and financial of the Company.

An activity is classified as current when:

- it is supposed that such activity is realized or it is owned for the sale or the consumption in the normal carrying out of the operating cycle;
- is held primarily for the purpose of trading; it is supposed who it is realized within twelve months from data closing of the fiscal year;
- it is constituted by cash or Equivalents (unless that is not forbidden to exchange it or use for extinguish one liability for at least twelve Months from data of closing of the exercise).

All other assets are classified as non-current. In particular, the IAS 1 principle considers tangible assets, intangible assets and financial assets of a long-term nature term as non-current assets.

A liability is classified as current when:

- it is expected that it will be closed during the normal operating cycle;
- is held primarily for the trading purposes;
- it will be closed within twelve months from data of financial year closing;
- not exists an unconditional right to differ his regulation for at least twelve months from data at the end of the financial year. The terms of a liability that could, at the choice of the counterparty, give place to his extinction through the issuance of instruments of representative of capital, does not affect its classification.

All the other liabilities are classified from the company as not currents.

The operating cycle is the time that elapses between the acquisition of goods for the production process and their realization in cash or cash equivalents. When the normal operative cycle it is not clearly identifiable it is supposed that its duration and twelve months.

The Interim Financial Statements as at 30 September 2021 were prepared in Euro, the Company's functional currency. Financial situations, patrimonial, economic, commentary notes and illustrative tables are expressed in Euros, unless otherwise indicated.

The financial statement at 30 September 2021 it is state prearranged:

- on the basis of the best knowledge of EU-IFRS and taking into account the best relevant doctrine; any future guidelines and interpretative updates will be reflected in subsequent years, in accordance with the procedures provided for from time to time by the accounting standards of reference;
- in the perspective of the continuity of business activity, according to the principle of accounting for economic competence, in compliance with the principle of relevance and significance of information, the prevalence of the substance over the form and with a view to promoting consistency with the future;
- based on the conventional criteria of the historical cost, except for the evaluation of financial asset and liabilities in case when it is mandatory the application of fair value criteria, and for the financial statements of companies operating in economies subject to hyperinflation, drawn up on the basis of the criterion of costs.

2.4 Accounting policies and criteria

The principal measurement processes and the key assumptions used with reference to classification registration evaluation and cancellation of the various items of assets and liabilities, as well as the criteria for the recognition of components income.

Intangible assets

An intangible asset it is an asset who at the same time meets the following conditions:

- it is identifiable;
- it is non-monetary;
- it has no physical consistency;
- it is under the control of the company who drafts the financial statements;
- it is expected to produce benefits for the company.

If an asset does not meet the above requirements to be defined as an intangible asset, the expense incurred to purchase the asset or to generate it internally is accounted for as a cost when it is been supported.

The Intangible assets are detected initially to the cost. The cost of intangible assets acquired from outside indicates the purchase price and any costs directly attributable.

Internally generated goodwill is not recognised as an asset as well as intangible assets arising from the research (or research phase of an internal project).

An intangible asset resulting from the development or development phase of an internal project is taken over herself is demonstrated the compliance with the following conditions:

- the technical feasibility to complete the intangible asset in order to be available for usage or sales;
- the intention to complete the intangible asset to use it or sell it;
- the capacity to use or a sell the intangible asset;
- how the intangible asset is able to generate 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 availability of adequate technical, financial and other resources to complete development, and for the use or sale of the well;
- the ability to reliably assess the cost attributable to the intangible asset during its development.
-
- Intangible assets shall be valued through the use of the cost method in accordance with one of the two several criteria provided for by IAS 38 (cost model and value redetermination model). The cost model provides that after the initial recognition an intangible asset must be registered in the cost to the net of accumulated depreciation and of any loss for reduction valuable Accumulated.

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The life useful estimated from company for the various categories of activities immaterial is of retinue Following:

Category of activity inmaterial	Rate of amortization
Computer software licenses	33,33%

they are identifiable the following main intangible assets:

(a) Intangible assets to useful life Defined

Intangible assets with a defined useful life are recognised at cost, as described above, net of depreciation Cumulative and any losses of value.

Depreciation begins when the asset is available for use and is systematically distributed in relation to the residual possibility of using it, i.e. on the basis of the estimated useful life; for the value Of amortize and the recoverability of the value of registration Apply i Policy Indicated respectivelyto the paragraphs "*Material activities*" and "*Reduction in the value of tangible and intangible assetsand of the activities for right of use*".

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

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

- the asset is identifiable;
- the asset created is likely to generate future economic benefits;
- the costs of developing the business can be reliably measured.

Capitalized development costs include only expenses incurred that can be attributed directly to the development process and relate primarily to the hours spent by highly specialized internal personnel.
Such defined useful life intangible assets are depreciated on a linear basis along the relevant product earnings lives, generally five years.
It is considered that five years is the average period beyond which the product may require a possible update of the software, the reference electronic components or/and the technology.
Any loss in value, as well as any restoration, are determined in the same manner as indicated below in the section on "Reduction in value of tangible and intangible assets and assets by right of use".

Where the internally generated assets cannot be entered in the balance sheet, the development costs shall be recognised in the income statement for the year in which they are incurred.

Asset and liability for right of use and lease

In agreement with IFRS 16, a contract it is, or contains a *lease,* if, against an equivalent, gives the right to control the use of a specified asset for a period of time. The contract is evaluated again to check if it is, or contains, a *lease* only in case of modification of the terms and conditions of the contract.

For a contract that is, or contains, a *lease*, each component *lease* is separated from non-component components *lease*, unless the Company applies the practical expedient referred to in paragraph 15 of IFRS 16. Such practical expedient allows the lessee to choose, for each underlying asset class, not to separate the non-component components *lease* from the components *lease* and to account for each component *lease* and associates non-component components *lease* as a single component *lease.*

The duration of the *lease* it is determined what the period not defeasible of the *lease*, where should be added both following periods:

- Periods covered by an option of extension of the lease, whether the lessee has the reasonable certainty of exercise the option; and
- Periods Covered by resolution of the lease, whether the lessee has the reasonable certainty of not exercise the option.

In assessing whether the lessee has reasonable certainty of exercising the option to extend the *lease* or not exercise the option to terminate the *lease*, all relevant facts and circumstances shall be considered as create an economic incentive for the lessee to exercise the option of extending the *lease* or not to exercise the resolution of the *lease*. The lessee must redetermine the duration of the *lease* in case of change of the non-cancelled period of the *lease*.
To data of expiration of the contract the company detects the activity for right of use and the passivity of the lease.
The activity for right of use it is evaluated to the cost at the effective contract date. The cost of the activity forright of use comprehends:

a) the amount of initial evaluation of liability of the *lease*;
b) Payments Due for the *lease* made at the date or before the expiration date netted by received incentives for *lease*;
c) direct initials costs supported by the tenant; and
d) the estimation of the costs that the lessee will have to bear for the dismantling and removal of the activity underlying and for the restoration of the site where it is located or for the restoration of the underlying activity in the conditions provided for by the deadlines and from conditions of the *lease*, unless such costs are supported for the production of inventories. The obligation relating to the aforementioned costs arises on the part of the lessee on the effective date or as a result of the use of the underlying asset during a given period.

On the effective date of the contract, the lessee must assess the liability of the *lease* the present value of payments due for the *lease* not paid on that date. Payments due for the lease include the following Amounts:

a) i fixed payments, net of Any incentives to *lease* Of receive;
b) i Payments Variables Due for the *lease* who Depend Of one index or one badger Evaluatedinitially using a index or a badger on the date of commencement;
c) Amounts who it is expected the lessee will have to pay a title of guarantees of the value residue;
d) the price of exercise of the of purchase herself the lessee Has the reasonable certainty of exercisethe option; and
e) payments of penalty for the termination of the *lease*, if the duration of the *lease* takes into account the financial year frompart of the lessee of the resolution of the *lease*.

Payments due for the *lease* must be actualized using the implicit interest rate of the *lease*, if it can be easily determined. If this is not possible, the lessee must use his marginal financing, i.e. the incremental interest rate that the company would have to pay to obtain one financing of the same duration and amount of the contract of lease.

Afterwards to detection initial the activity for right of use it is evaluated to the cost:

a) net of accumulated depreciation and of reductions of value accumulated; and
b) adjusted for any redetermination of the lease liability.

Afterwards to detection initial the passivity of the *lease* it is Evaluated:

a) Increasing the accounted value for keeping track of interest on *lease* liabilities;
b) diminishing the accounted value for keeping track of payments due for lease carried out; and
c) restating the accounted value for keeping track of any new assessments or changes in lease or revision of payments due for fixed leases in the substance

In case of changes to the *lease* that do not configure themselves as a separate *lease*, the activity by right of use is redetermined (upwards or downwards), in line with the change in the liability of the *lease* to the date of the change. The liability of the *lease* is redetermined according to the new conditions provided for by the contract of lease, using the actualization rate at the date of the change.

It should be noted that the Company avails itself of the exemption provided for by IFRS 16, with reference to the *lease* of activities of low value (i.e. when the value of the underlying asset, if new, is indicatively less than USD 5,000). In such cases, the asset for right of use and the related liability of the *lease*, and payments due for the *lease* are detected in the income statement.

The Company has decided not to avail itself of the exemption provided for in IFRS 16 in relation to *lease* short-term term (i.e. *lease* which have a duration of 12 months or less from the date of starting date).

The landlord must classify each of his *lease* as operational or financial. A *lease* is classified as financial if it transfers, substantially, all the risks and benefits associated with the ownership of an asset underlying. A *lease* is classified as operational if, substantially, it does not transfer all the risks and Benefits Arising from property of an activity underlying. In the case of *lease* financial to data from commencement the lessor must notice in the prospectus of situation patrimonial and Financial the activitydetainees in *lease* financial and expose them as credit at a value equal to the net investment in the *lease*.In the case of *lease* operational, the lessor must take over the payments due as income with a criterion to constant quotas or according to another systematic criterion. The lessor must also take over the costs, including depreciation, Supported for realize i proceeds of the *lease*.

Tangible assets

The accounting of buildings, plant and machinery within tangible assets takes place only when following conditions occur:

- it is probable that future economic benefits referred to the item will be experienced by the company;
- the cost can be determined in a reliable way.

Tangible assets are initially valued at cost, defined as the monetary amount or equivalent paid or the *fair value* of given prices to acquire an asset, at the time of purchase or substitution. After the initial registration, the material assets are evaluated at the method of cost netted by accounted depreciation quotas and of any loss of accumulated value.

The cost includes the charges directly incurred to make possible their usage, or any dismantling and removal cost incurred as a result of contractual obligations that require to bring back the item in its original conditions.

The costs incurred for maintenance and repairs of an ordinary and / or cyclical nature are directly inputted to P/L when incurred. The capitalization of costs inherent to enlargement, the modernisation or improvement of structural elements owned or used by third parties shall be carried out in limits in which they respond to requirements for being separately classified as activity or part of an activity.

The depreciation criteria used for material assets is the linear method with constant quotas within asset useful lifetime.

The Company’s estimated useful life for the various categories of tangible assets is as follows:

Category of activity material	**Rate of amortization**
Electronic office machines	20%
Furnishings	15%
Air conditioning system	15%
Alarm system	30%
Electrical	10%
Ind.li and miscellaneous and minute equipment	15%
Machinery	15%
Telephone system	20%
Other assets	15%

At the end of each financial year, the company verifies whether significant changes occurred in the expected characteristics of the economic benefits deriving from the capitalised assets and in this case amends the criteria of depreciation, which is considered as change of estimation in accordance with IAS 8.

The value of the tangible asset is completely reversed at the time of its disposal or when the company expects that no economic benefit can be derived from its disposal.
Capital grants are accounted when there is reasonable certainty that they will be received and that all the conditions referred to them are met. Contributions are therefore suspended within liabilities and debited pro-quota to the income statement in relation to fixed assets useful lifetime.

Right of use assets

At each financial statement relevant date, a check shall be carried out to ascertain whether there are indicators that tangible, intangible assets and assets by right of use may have been reduced valuable. For such purpose, both internal and external sources of information shall be considered. Relative to the first ones (internal sources) are considered: obsolescence or physical deterioration of the activity, any significant change in use of assets and the economic performance of the activity compared to what was expected. Regarding, external sources, the trend in market prices of assets, any discontinuities technological, market or regulatory, the evolution of market interest rates or the cost of capital used to evaluate the investments.

If the presence of these indicators is identified, the recoverable value of these assets, attributing any write-down with respect to the related book value in the overall income statement. The recoverable value of an asset is represented by the greater between the fair value, net of ancillary sales costs, and their use-value, determined by discounting estimated future cash flows for such activity, including, if significant and reasonably determinable, those resulting from the disposal at the end of its useful life netted by any charge of cessation. For defining use-value , future expected financial flows are discounted using one badger of discount to the gross of taxes which reflects current market valuations of the cost of money, compared to the investment period and activity-specific risks. For an activity that does not generate largely independent cash flows, the recoverable value it is determined relating to the cash generating unit which this activity belongs.

A loss of value is inputted to total income statement when the value of registration of the asset, or of the CGU which it is allocated to, is higher than its recoverable value. Reductions of value of a CGU, are firstly charged as reduction of the accounted value of the eventual goodwill attributed to the same and, therefore, to a reduction of other assets, in proportion to their accounted value and within the limits of its recoverable value. If the conditions for a devaluation previously made are no longer necessary, the accounted value of the activity it is restored by inputting it to income statement, within the limits of the net carrying value that the activity in question would have had if no devaluation had been made and the related depreciation would have been performed.

Shareholdings

Shareholdings in subsidiaries are evaluated at the cost netted by eventual losses of value (“impairment"). An investment is reduced in value when its booked value exceeds its recoverable value. The booked values of the holdings shall be valued whenever there is are clear internal or external indicators of the company that indicate the possibility of a reduction in value of participation.

In particular, the indicators analyzed for estimate if a participation has right away one loss of value are the following:

the booked value of the investment in the separate financial statements exceeds the booked value of the assets net of participatory expressed in the financial statement consolidated even possibly the related goodwill;

the dividend distributed by the investee exceeds the total retained earnings of the subsidiary from date of purchase or incorporation;

the operating result achieved by the investee company is significantly lower than to the amount expected looking at plan of management, in case when such indicator can be considered relevant for the company of reference;

there are expectations of significantly decreasing operating results in future years;

existence of variations in the technological, market, economic or regulatory environment in which the investee work that can generate significant negative economic effects on the results of the Company.

The test of impairment consists in the comparison between the accounted value and the recoverable value of participation. If the recoverable value of a holding is less than the carrying amount, the carrying amount is reduced to the recoverable value. Such reduction is a loss of value inputted to income statement.

The recoverable value of a participation is identified as the greater between fair value and use-value. The use-value of an investment is the actual value of future cash flows that is expected are originated from a participation that generates financial flows. The use-value reflects the effects of factors that may be entity-specific, factors that may not apply to any of them entity. If the conditions for a previous write-down are not met, the carrying amount of participation is restored with imputation to income statement, in the limits of the original cost.

Financial assets

At the time of initial detection, financial assets must be classified into one of the following categories: *(i)* activity financial evaluated to the cost damped *(ii)* activity financial evaluated to the *fair value* with impact on overall profitability and *(iii)* valued financial assets to the *fair value* with impact to income statement. Such classification is carried out based on the following elements:

- business model for management of the entity for activity financial management; and
- the features related to contractual financial flows of the activity Financial.

Financial assets are subsequently cancelled from the balance sheet only if the disposal has resulted in the substantial transfer of all the risks and rewards associated with the assets. On the other hand, if a significant proportion of the risks and benefits relating to the sold financial assets has been retained, they shall continue to be shown in the balance sheet, even if actually the legal title of the assets has been transferred.

a) *Financial assets measured at amortised cost*

- Financial assets that meet both of the following conditions are included in this category:the Financial assets it is owned second one model of business the which objective it is achieved through the collection of the financial flows provided for by contract (Business model "*Hold to Collect*");and
- the terms Contractual of the activity Financial Provide a Certain date, Flows financial represented solely by payments of principal and interest on the amount of capital from give back (cd. “SPPI test” passed).

At the time of the initial recognition, these assets shall be accounted for at fair value, including costs, or incomes of transaction directly attributable to the financial asset. Afterwards to initial detection, the consided financial activities are evaluated to the amortised cost by using the method of the badger of actual interest. The amortised cost method is not used for assets – valued at cost historical – the which brief duration ago retain negligible the effect of the application of logic updating, for those without a defined deadline and for i credits to revocation.

b) *Financial assets measured at fair value with impact on the income statement*

Financial assets different than those classified as “Financial assets valued at amortised cost" and "Financial assets valued at *fair value* with impact on overall profitability"are classified in this category.
This category includes financial assets held for trading and derivative contracts that cannot be classified as hedging (which are represented as assets if the *fair value* is positive and as a liability if the *fair value* is negative).
At the time of the initial recognition, the financial assets valued at *fair value* with impact on the income statement are detected at *fair value*, without considering transaction costs or proceeds directly attributable to the instrument itself. On subsequent reference dates they are valued at *fair value* and valuation effects are charged in the income statement

Derivative financial instruments and hedging transactions

Derivative financial instruments are accounted in agreement with IFRS 9.

At the stipulation date of the contract, the financial derivatives are initially accounted at *fair value*, as financial assets valued at *fair value* with impact on the income statement when the *fair value* it is positive or financial liability evaluated to the *fair value* with impact an account when the*fair value* is negative.

If the financial instruments are not accounted as hedging instruments, changes in the *fair value* recorded after the first registration are treated as components of the result of the year. If instead, derivative instruments meet the requirements to be classified as hedging instruments, the following changes in *fair value* are accounted following specific policies, below explained.

A derivative financial instrument is classified as hedging if the relation between the instrument of cover and the element covered is formally documented, including the objectives of management of the risk, the strategy for hedging and the methods that will be used to verify its prospective effectiveness, andretrospective. Effectiveness of all cover it is verified both in the moment of ignition of each derivative instrument and during its life, and in particular at each closure of the balance sheet or situation interim. Generally, a hedge is considered highly "effective" if, both at the beginning and during his life, the changes of the *fair value*, in the case of *fair value hedge*, or cash flows expected in the future, in the case of *cash flow hedge*, of the covered element are substantially offset by changes in the *fair value* of tool of cover.

The beginning accountant IFRS 9 Provides the possibility to designate the following three relations of coverage:

a) coverage of *fair value (fair value hedge)*: when the coverage relates to variations in *fair value* of assets and liabilities recorded on the balance sheet, and changes in the *fair value* of the hedging instrument both the Variations of the object of the coverage are accused to the account economic.
b) hedging of cash flows (*cash flow hedge*): in the case of covers aimed at neutralizing the risk of variations in the flows of case originated from execution future of bonds contractually defined at the balance sheet date, changes in the *fair value* of instrument derivative recorded afterwards to before detection are accounted for limited only to the effective portion, in the overall income statement and therefore in a reserve of equity. When the economic effects of the hedging object become apparent, the portion entered in the overall income statement is repaid in the income statement. If the coverage is not perfectly effective, the variation of *fair value* of the hedging instrument referable to the portion ineffective of the same it is immediately detected in the income statement.
c) coverage of an investment net in one foreign management (*net investment hedge*).

If the checks do not confirm the effectiveness of the coverage, from that moment the accounting of the hedging operations are discontinued, and the hedging derivative contract is reclassified as assets financial evaluated at *fair value* with impact on the income statement or among the financial liabilities valued at the *fair value* with impact in the income statement. The relation of coverage, in addition, stops when:

- the derivative Expires Comes sold Terminated or exercised;
- the element covered it is sold, expires or is refunded;
- Not it is more highly probable who the operation Future blanket Come mail in be.

See note 5.5 for information on categories of asset and Financial liabilities and for the information on *fair value.*

Trade receivables

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

In addition, since generally the credits commercial are short term values and do not provide the payment of interests, the amortised cost is not calculated, and are accounted for on the basis of the value nominal shown in invoices issued or in contracts concluded with customers: this provision is adopted also for trade receivables that have a contractual duration of more than 12 months, unless the effect is not particularly significant. The choice stems from the fact that the amount of short-term claims is very similar by applying the historical cost method or the amortized cost criterion and the impact of logic of actualization would be therefore of all negligible.

Trade receivables are subject to a value reduction verification (so-to-be. *impairment*) based on provisions of IFRS 9. For the purposes of the valuation process, trade receivables are divided into bands expired thunderstorms. For *performing* credits a collective evaluation is carried out by grouping the individual exposures based on similar credit risk. The valuation shall be carried out based on the expected losses along the life of the credit, determined starting from the losses recorded for assets with similar characteristicsrisk of credit based on historical experiences and adjusted with the aim to reflect the forecasts of economic conditions future.

Inventories

Inventories are goods:

- Owned for the sale in the normal carrying out of business;
- used in production processes for sales;
- under form of materials or supplies of goods used in production processes or in services deliveries.

Inventories are detected at the cost and evaluated to the minor between the cost and the net value of realization.

The cost of inventories includes all purchase costs, transformation costs as well as other costs sustained to bring the goods to the current place and condition while not including the exchange rates differences in case of inventories invoiced in foreign currency. In accordance with IAS 2, for the determination of the cost of inventories used the method of average weighted cost.

When the net value of realization is less than the cost, the surplus is immediately devalued in the income statement.

Cash and cash equivalents

Cash and cash equivalents are recorded, depending on their nature, at the value nominal or at amortised cost. Other cash equivalents represent uses short-term and high-liquidity financials that are readily convertible into known cash values, and subject to an insignificant risk of a change in their value, the original maturity of which or at the moment of the purchase it's not more than 3 months.

Trade payables

Trade payables and other debts are initially recognised at the fair value and subsequently are evaluated based on method of amortised cost.

Debts towards banks and other lenders are initially registered in the fair value, net of ancillary costs of direct imputation, and subsequently are valued at the amortised cost, applying the rate criterion actual of interest. In case when, as a result of a change in the condition of a financial liability, a change in estimation of expected cash flows minor than the 10% occurs, it is necessary to recalculate the amortised cost of the financial liability and to be noted in the result net a profit or loss resulting from the change. The amortised cost of the financial liability must be recalculated as the present value of renegotiated or modified cash flows discounted at the rate of original actual interest in the financial liability. Any costs or fees incurred in connection with on the modification adjust the booked value of the modified financial liability and are amortised along the course of the remaining term of the liability Financial Changed.

Debts are removed from the balance sheet at the time of their extinction and when the Company has transferred all the risks and the charges to the instrument itself.

Employee obligations

Employee benefit obligations include benefits provided to employees or their dependents and may be settled by means of payments (or by the supply of goods and services) made directly to the employees, spouse, children or other dependants or third parties, such as insurance companies and subdivide into benefits short-term, benefits due to employees for the termination of the relationship of work and benefits subsequent eventually of the report of work.

Short-term benefits, which also include incentive programs represented by rewards annual, MBO and one-off renewals of national collective agreements, are accounted for as liability (provision of costs) after deducted whichever amount already corresponded and cost unless some other IFRS standard requires or allows the inclusion of benefits in the cost of an asset (ad example the cost of the staff employee in development of Intangible assets generate internally).

The category of benefits for termination of employment includes exodus incentive plans, arisen in the case of voluntary resignation that provides for the adhesion of the employee or a group of employees to union agreements for the activation of the so-called solidarity provisions, and the dismissal plans, which have place in the event of termination of the employment relationship as a result of unilateral choice by the company. The enterprise shall record the cost of those benefits as a balance sheet liability on the most immediate date between the when the enterprise cannot withdraw the offer of such benefits and the time when the enterprise takes over the costs of a restructuring falling within the scope of IAS 37. Provisions for exodes are reviewed with periodicity at least half-yearly.

Post-employment benefit plans fall into two categories: defined contribution plans and defined benefit plans.
The category to “contribution defined” includes:

- supplementary severance indemnities involving a defined amount of contribution from the enterprise;
- the severance indemnities (TFR), limited to the shares accrued from the 1 January 2007 for companies with more than 50 employees, whatever the destination option chosen by employees;
- the shares of the severance pay accrued from 1 January 2007 and intended for supplementary indemnities, in the case ofenterprises with less than 50 employees;
- the breakage of assistance health Integrative.

The category to “defined benefits plan” includes, instead:

- the severance pay, limited to the portion accrued until 31 December 2006 for all companies, as well as shares accrued from 1 January 2007 and not intended for supplementary pensions for companies with less of 50 employees;
- supplementary pension provision whose conditions provide for the payment to members of a performance defined;
- seniority premiums, which provide for an extraordinary disbursement to the employee upon reaching one sure level of seniority Working.

In defined contribution plans, the obligation of the reporting undertaking shall be determined on the basis of the contributions due for that year and therefore the valuation of the obligation does not require hypotheses actuarial and there are no chances of useful or actuarial losses

The accounting of plans a Benefits Defined it is characterized from recourse to hypothesis actuarial for determining the value of the bond. This assessment is entrusted to an external actuary and is carried out annually. For the purpose of updating, the company uses the method of the unitary projection of the credit that provides for the projection of future disbursements based on historical statistical and demographic curve analysis and the financial discounting of these flows based on a market interest rate. Actuarial gains and losses are recognised in return for shareholders' equity (under the item "Actuarial gains and losses reserve") as required by IAS 19.

Provisions for Risks

Contingent assets and liabilities can be divided into several categories. Especially:

- the provisions are actual bonds of uncertain amount and contingency/maturity that arise from past events and for which it is likely that there is an outlay of economic resources for which it is possible to make a reliable estimate of the amount;
- contingent liabilities are possible bonds for which the probability of an disbursement of economic resources is not remote;
- the liability remote are those for which disbursement of resources Economic it is little probable;
- potential assets are assets for which the requirement of certainty is lacking and cannot be accounted in budget;
- the onerous contract is a contract in which the non-discretionary costs necessary to fulfil the obligations assumed are higher than the economic benefits that are supposed to be obtainable from the contract;

- the restructuring it is one program planned and controlled from direction corporate who modification significantly the scope of an activity undertaken by the enterprise or the way in which the activity is managed.

For the purposes of recording the charge, provisions are recorded in cases where there is uncertainty in merit to expiration or on the amount of the flow of resources necessary for fulfilling the obligation or for other liability and in particular commercial debts or appropriations for alleged debts.

Provisions differ from other liabilities because there is no certainty as to maturity or the amount of future expenditure required for fulfilment. Given their different nature, the provisions are Exposed separately Come on Debts Commercial and appropriations for debts Alleged.

The accounting of a liability or the provision to one bottom takes place when:

- there is a current or implicit legal obligation as result of past events;
- it is probable that is necessary a usage of resources in order to produce economics benefits for fulfilling the obligation;
- can be performed a reliable estimation of the amount of the obligation.

The provisions require use of estimates. In extremely rare circumstances where reliable estimations cannot be performed, there is a liability which cannot be reliably determined so then is identified as potential liability.

Operating revenue

Operating revenue is recognised when the following conditions are met:

- it has been identified the contract with the client;
- the "*performance obligations*" contained in the contract have been identified;
- it has been determined the price;
- the price has been allocated to each single performance obligations reported in the contracts;
- it has been satisfied the performance obligation contained in the contract.

The Company detects operating revenues when it fulfils its contractual obligation by transferring the promised good or service to the customer. The good is transferred when the customer gains control of it.

The Company transfers the control of the good or service during the time and therefore fulfils the obligation contractual and recognizes the revenue "over the time", if is satisfied one of following policy:

- the customer simultaneously receives and uses the benefits deriving from the performance of the entity as the company carries it out;
- the performance of company creates or improves the activity (for example activities for Work in progress on orders) that the customer check as the task is created or improved;
- the Company's service does not create an activity that presents an alternative use for the Company and the Company has the right to pay the service completed up to the date considered.

If the contractual obligation is not fulfilled over the time, the contractual obligation is fulfilled at a specific moment. In this case, the Company records the revenue at the time the client acquires the control of the promised asset.

The contractual price included in the contract with the customer may include fixed amounts, variable amounts or both. If the contractual price includes a variable amount (e.g. discounts, concessions on the price, incentives, penalties or other similar elements), the Company will estimate the amount of the consideration to which he will be entitled in exchange for the transfer to the customer of the promised goods or services. The Company includes in the transaction price the amount of the variable price estimated only to the extent that it is highly probable that when the uncertainty associated with the variable price is resolved, there will be no significant downgrade adjustment of the amount of cumulated revenues detected.

In case when the Company has the right to receive consideration in exchange for goods or services transferred to the client, the Company takes over an activity arising from contracts with customers. In the case of an obligation to transfer to the customer goods and services for which a consideration has been received from the client, the Company acquires a liability resulting from contracts with customers.

Incremental costs for obtaining contracts with customers are accounted as assets and amortised the during the underlying contract, if the Company expects them to be recovered. The incremental costs for obtaining the contract are the costs that the Company incurs to obtain the contract with the customer and that he would not have incurred if he had not obtained the contract. The costs of obtaining the contract that would have been incurred even if the contract had not been obtained must be recognised as a cost at the time they are incurred, unless they are explicitly chargeable to the customer even if the contract is not obtained.

Recognition of costs
Costs are charged to income statement based on the principle of economic competence.

Accounting for listing-related costs
In accordance with the IAS 32, listing-related costs are accounted as a direct reduction in shareholders' equity, while the costs related to a public sale offer are recorded directly in the income statement. In case of a successful listing operation, the ratio considering number of new shares and number of shares post-listing will determine the percentage of charges which will be accounted as a direct reduction in shareholders' equity. When such operation does not occur, such costs must be instead charged to the income statement. As at 31 December 2020, the Company has no listing costs booked on the financial statements.

Dividends
The dividends received are accounted in the income statement according to the competence principle, i.e. in the fiscal year in which te related right to the credit, after deliberation shareholders' meeting of distribution of dividends by the subsidiary.

Distributed Dividends are represented as a movement of equity in the year in which they are approved by the Assembly of Shareholders.

Taxes on income
Current taxes are calculated based on taxable income for the year, applying tax rates valid at financial statements date. Current taxes of the year and previous taxes, to the extent that have not been paid, are recognised as liabilities. Current tax assets and liabilities of the year shall be determined at the value expected to be recovered respectively or to pay to the tax authorities, applying the tax rates and tax legislation in force or substantially valid at the financial statements date

The taxes deferred stand out in:

- deferred tax liabilities, are the amounts of income tax due in future years referable to temporal taxable differences;
- pre-paid tax assets, are the amounts of income tax recoverable in future years referable to deductible temporary differences, carry-over of unused tax losses, carry-over to new of Credits of tax not used.

To calculate the amount of deferred tax assets and liabilities, the tax rate is applied to temporary, taxable or deductible differences, identified, or to unused tax losses and credits of tax not used.

At each reporting date, a new valuation is performed both for deferred tax assets not recognised in the financial statements that of the tax assets recognised in the financial statements in order to verify the existence of the assumption that the anticipated tax assets are likely to be recovered.

Conversion of foreign currency
Transactions in currencies other than functional currency are recorded at the exchange rate valid at the date of the operation. The monetary asset and liability named in currency different from the Euro are subsequently adjusted to the exchange rate valid at the end of the financial year. any emerging exchange rates difference is reflected in the income statement under the heading "Profits and losses on changes".

3. New accounting policies

The accounting policies adopted, the recognition and measurement criteria at 30 September 2021 are the same as those adopted for the three-year financial statements for the years ended 31 December 2020, 2019 and 2018.
In addition, on 27 August 2020 the IASB published, in the light of the reform on interbank interest rates such as IBOR, the document *Interest Rate Benchmark Reform—Phase 2* which contains amendments to the following standards:
- IFRS 9 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts; e
- IFRS 16 Leases.

Those amendments entered into force on 1 January 2021.
There has been no significant impact on the financial statement since the adoption of this amendment.

4. Estimates and assumptions

The preparation of financial statements requires the directors to apply principles and methodologies accounting who in certain circumstances it is based his reviews and estimates difficult and subjective based on historical experience and assumptions that are time by time considered reasonable and realistic in function of related circumstances.

The application of these estimates and assumptions affects the amounts shown in the financial statements, such as the statement of the balance sheet, the income statement, the overall income statement, the cash flow statement, as well as the information provided. The final results of the financial statement figures for which the above estimates and assumptions have been applied, could differ also significantly of those eported in the financial staments who detect the effects of the manifest itself of the event object of esteem a cause of uncertainty who characterizes the assumptions and the conditions on which are based the estimates.

Areas that require more than others greater subjectivity on the part of Administrators in processing of the estimates and for which a change in the conditions underlying the assumptions used could have one impact significant on results financial of the Company are the following:

a) *Reduction in the value of tangible and intangible assets with a defined useful life:* material activities and intangibles with a defined useful life are subject to verification in order to ascertain whether a loss of value when there are indicators that suggest difficulties for the recovery of its net book value through its use. Verification of the existence of these indicators requires by the Board of Directors the execution of subjective assessments based on available information from both internal and external sources, as well as historical experience. In addition, if it is determined that a potential loss of value has been generated, the determination of such loss is done by using proper evaluation techniques. The correct identification of indicators of a potential loss of value and the estimates for the determination of the same, depend on subjective evaluations as well as on factors that can vary over time influencing evaluations and the estimates made by the management.

b) *Credit write-down fund*: the determination of this fund reflects the estimates of the *management* related to historical and expected solvency of Customers.

c) *Provisions for risks and charges*: the identification of the existence or not of a current obligation (legal or implied) is in some circumstances not easy to determine. The Board of Directors assess such events on a case-by-case basis, together with the estimated amount of economic resources required for the performance of the obligation.

d) *Useful life of tangible and intangible assets*: the useful life is determined at the time of registration of the good in the balance sheet. the useful life is determined at the time of registration of the asset in the budget. The assessments on the useful life are based on historical experience, on market conditions and expectations of future events that may affect the useful life itself, including technological changes.

e) *Deffered tax asset*: defferred tax assets are recognised to the extent that it is likely the existence of adequate future tax profits against which temporary or possible differences losses tax may be used.

f) *Inventories*: the final inventories of products that have characteristics of obsolescence or slow-moving are periodically subjected to a valuation test and written down when their recoverable value is led than thei accounting vlaue. Write-downs made are based on the assumptions and estimates of the Board of Directors deriving from their experience and from historical results achieved.

g) *Lease liabilities*: the amount of the liability for *lease* and consequently of the relatied asset for right of use, depends on from determination of the *lease term*. Such determination is subject to evaluations by *management*, with particular reference to the inclusion or non-inclusion of periods covered by the renewal and termination options of the *lease* provided for in the leases. Such assessments will be reviewed upon the occurrence of a significant event or significant change of the circumstances which have an impact on the reasonable certainty of the *management* to exercise an option previously not considered in the determination of the *lease term* or not to exercise an option previously considered in the determination of *lease term*.

5. Management of financial risk

The Company's business is exposed to a series of financial risks that may affect the financial position, the economic result and cash flows through the relative impact on transactions in financial instruments implemented. Below the main information relating to the Company's financial risk management policies.

Credit risk

The Company, considered that it operates both on national and international markets, is exposed to the risk that its customers may delay or not fulfil its payment obligations in the terms and in the manner agreed and that the internal procedures adopted in relation to the assessment of the creditworthiness and solvency of customers are not sufficient to guarantee the successful completion of the collections. The credit write-down fund reflects the expected losses calculated over the useful life of those assets. The estimation of expected losses is based on a two-pronged approach that involves an analysis on an individual basis of each position of the most relevant customers and an analysis on a collective basis that groups customers with similar

characteristics. Positions for which an objective condition of partial or total non-collectability is detected, are subject to devaluation on an individual basis. In that case, the amount of the write-down shall consider an estimate of the recoverable flows as a function of the late payment. On the other hand, all other positions are evaluated on a collective basis by uisng a matrix of provisions based on the seniority of the receivables and the experience of actual historical losses. The historical information used in the definition of the provisioning matrix is adequate to reflect current and forward-looking information on macroeconomic factors affecting clients' ability to settle their debts.
The value of receivables to expire, gross of the impairment of receivables, for the years ended December 31, 2020, December 31, 2019 and December 31, 2018 is equal to Euro 2,273 thousand, Euro 2,301 thousand and Euro 2,474 thousand. In the three-year period considered, the credit balance to expire is constant. Overdue receivables, gross of the write-down of receivables, for the years ended December 31, 2020, December 31, 2019 and December 31, 2018, amounted to Euro 4,341 thousand (equal to 66% of the total amount of gross trade receivables), Euro 1,459 thousand (equal to 39% of the total amount of gross trade receivables) and Euro 1,550 thousand (equal to 39% of the total amount of gross trade receivables). Within these overdue receivables, the part that refers to positions that have expired more than 90 days, for the years ended December 31, 2020, December 31, 2019 and December 31, 2018, is equal to Euro 724 thousand, Euro 595 thousand and Euro 415 thousand, respectively. Between 2020 and 2019 there was an increase in positions over 90 days of Euro 129 thousand (22%). Between 2019 and 2018 there was an increase in positions that expired over 90 days of Euro 180 thousand (43%).

Liquidity risk

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

- maintaining an adequate level of available liquidity;
- diversification of instruments for finding financial resources;
- obtaining adequate credit lines;
- the monitoring of prospective liquidity conditions, in relation to the business planning process.

Interest rate risk

Interest rate risk consists in the risk that the value of a financial instrument, and/or the level of financial flows generated by it, will vary as a result of fluctuations in market interest rates. At December 31, 2020, the total variable rate debt exposure was Euro 3,305 thousand (equal to 68% of the total debt exposure), mainly linked to changes in the 3-month Euribor, while the total fixed-rate debt exposure was equal to Euro 1,531 thousand (32% of the total debt exposure). Exposure to interest rate risk arises from the need to finance operating activities, both in their industrial and financial components of acquisition of the assets, as well as to use the available liquidity. Changes in market interest rates may have a negative or positive impact on the Company's economic result, indirectly affecting the costs and returns of financing and investment transactions. The Company regularly assesses its exposure to the risk of changes in interest rates and manages these risks using derivative financial instruments. The use of derivative financial instruments is reserved for the management of exposure to fluctuations in interest rates associated with money flows and no speculative activities are carried out or permitted. The instrument used for this purpose is exclusively the *Interest Rate Swap* (IRS). Total variable-rate debt exposure amounted to Euro 3,305 thousand, Euro 4,182 thousand and Euro 5,081 thousand, of which subject to IRS contracts, equal to Euro 3,305 thousand, Euro 4,125 thousand and Euro 4,940 thousand respectively at December 31, 2020, 2019 and 2018 (100%, 99% and 97% of the variable rate debt exposure).

The variable rate debt exposure at December 31, 2020, equal to Euro 3,305 thousand, is therefore fully covered by IRS.

Below are the details of the hedging derivatives subscribed:

September 30, 2021

In thousands of Euros	**Contractual notional**	**Notional as of 30 September 2021**	**Rate**	**Fixed rate**	**Expiration**	**Fair value***
UNICREDIT IRS	(5.000)	(2.708)	Euribor 3M	2%	20/12/2024	(44)
Total	**(5.000)**	**(2.708)**				**(44)**

(*) *Fair value* used as of 31 August 2021; the value at September 30, 2021, as communicated by the credit institution, is negative and equal to Euro 35 thousand; value in line with the data accounted for.

6. Notes to Statement of financial position

6.1 Intangible assets

Following tables reports the composition and the handling of activity Intangible assets for the period ended 30 September 2021 and for the year ended 31 December 2020.

(Euro)	**Development costs**	**Concessions, licenses, trademarks and similar rights**	**Other intangible assets**	**Tangible assets in progress**	**Total**
Historical cost at 31 December 2020	**75.000**	**981.019**	**5.460**	**-**	**1.061.479**
Investments		27.198		507.928	535.126
Reclassifications					-
Decreases for disposals and disposals (Of the balance sheet value)					-
Historical cost 30 September 2021	**75.000**	**1.008.217**	**5.460**	**507.928**	**1.596.605**
Depreciation provisions 31 December 2020	**75.000**	**691.219**	**5.460**	**-**	**771.679**
Depreciation		182.710			182.710
Decreases for disposals and disposals					-
Depreciation fund as at 30 September 2021	**75.000**	**873.929**	**5.460**		**954.389**
Net book value as at 31 December 2020	**-**	**289.798**	**-**		**289.798**
Net book value as at 30 September 2021	**-**	**134.288**	**-**	**507.928**	**642.216**

Intangible assets as at September 31, 2021 consist mainly of concessions, licenses, trademarks and similar rights relating to Euro 134 thousand and current fixed assets for a total of Euro 508 thousand.

The concessions, licenses, trademarks and similar rights refer to avionics software, management software and generic; most of them are licences for use on computer software, depreciated to the extent of one third of their original value, and rights of use on software used in the European Programme for Research and Innovation installed on company PCs and depreciated in two years in view of the use linked to the duration of the project.

Total investments in intangible assets of Euro 535 thousand are attributable to Development Costs incurred in the reference period and capitalised under the intangible fixed assets item in progress, as they relate to development projects still outstanding at the end of the financial statements. For more details on the main initiatives, please refer to the specific paragraph contained in this document.

During the period considered, there were no indications of possible impairment losses with regard to intangible assets.

6.2 Right of use assets

The main asset information relating to the leases of the Company, which acts chiefly as lessee are reported in the following table.

(Euro)	**30.09.2021**	**31.12.2020**
Net book value assets by right of use (real estate)	1.906.777	1.876.042
Net book value assets by right of use (passenger cars)	1.614	6.456
Total net book value assets by right of use	**1.908.391**	**1.882.498**
Liabilities for *lease* currents	142.061	138.572
Liabilities for *lease* non-current	1.895.703	1.828.137
Total liabilities for *lease*	**2.037.764**	**1.966.709**

The following table shows the main economic and financial information relating to the leases reserved for the Company.

(Euro)	**30.09.2021**	**30.09.2020**
Depreciation of assets for right of use (real estate)	136.401	104.556
Depreciation of assets by right of use (cars)	4.842	4.304
Total depreciation of assets by right of use	**141.243**	**108.860**
Interest expense for *lease*	**38.713**	**30.178**
Canons *lease* Real estate	131.934	113.766

Canons *lease* Cars	4.943	4.394
Total cash outflows for *lease*	**136.877**	**118.160**

The activities for right of use relating to 30 September 2021, as well as 31 December 2020, refer to the lease of a property located in Ardea (RM), to the lease of a property used as headquarters located in Pedaso (FM), to a contract for a property for guest house use located in Porto San Giorgio (FM), to the lease of a property located in Casoria (NA) and to a contract of rental of car.
The value of assets by right of use and liabilities for *lease* increased by Euro 26 thousand and Euro 71 thousand respectively compared to December 31, 2020, as in 2021 a further lease of a property for guest use located in Pedaso (FM) was stipulated, it is specified that the same was signed with a related party.
The value of depreciation of assets by right of use and interest expense for *lease*, increased compared to September 30, 2020, with a greater impact on the income statement of Euro 51 thousand.

This increase is mainly attributable to the adjustment of rents, for the percentage contractually envisaged, to the average annual change in the index *FOI(nt) - National Index of Consumer Prices* which during 2021 recorded a trend of continuous growth and an average variation of 1.4% compared to 2020.

At September 30, 2021, the Company has not identified any indicators of losses durable of value relatively to activities for right of use.

The following table shows the values of liabilities for *lease* of the Company at 30 September 2021.

(In Euro)	**September 30, 2021**					
	within 1 year	**between 1 and 2 years**	**between 3 and 5 years**	**over 5 years**	**Book value**	**Contract value**
Lease liabilities	142.061	144.598	455.652	1.295.453	2.037.764	2.037.764

The discount rate was determined on the basis of the Company's marginal funding rate, or the rate that the same should pay for a loan, with a duration and with similar guarantees, necessary to obtain an asset of similar value to the activity consisting of the right of use in an economic context similar.

6.3 Tangible assets

The following table shows the composition and handling of material activities for the period ended 30 September 2021.

(Euro)	**Plant and machinery**	**Industrial and commercial equipment**	**Other Assets**	**Manufactured**	**Ongoing material activities and advances**	**Total**
Historical cost at 31 December 2020	**2.832.526**	**644.085**	**426.402**	**262.937**	-	**4.165.950**
Investments	8.500	105.072	71.059		1.691	**186.322**
Disposals			(2.050)			**(2.050)**
Reclassifications						-
Historical cost as at 30 September 2021	**2.841.026**	**749.157**	**495.411**	**262.937**	**1.691**	**4.350.222**
						-
Depreciation fund as at 31 December 2020	**1.468.497**	**219.932**	**210.742**	**95.904**	-	**1.995.075**
Depreciation	275.272	75.481	52.363	26.119		**429.235**
Disposals			(2.050)			**(2.050)**
Depreciation fund as at 30 September 2021	**1.743.769**	**295.413**	**261.055**	**122.023**	-	**2.422.260**
Net book value as at 31 December 2020	**1.364.029**	**424.153**	**215.660**	**167.032**	-	**2.170.874**
Net book value as at 30 September 2021	**1.097.257**	**453.744**	**234.356**	**140.914**	**1.691**	**1.927.962**

Material activities mainly refer to industrial and commercial plants and machinery and equipment used in the production process. The item "ongoing tangible assets and advances" includes the amount of advance payments paid to suppliers for the purchase of machinery.

Investments relating to tangible fixed assets for the period ended September 30, 2021, amounting to Euro 186 thousand, mainly concerned the purchase of production machinery and instrumentation for the expansion of the production area. These investments were aimed at increasing the company's production capacity.

The net value of the demised tangible assets is amount not relevant.

During the periods under review, no indications of possible impairment losses were found with regard to all material activities.

As of September 30, 2021, there are no owned material assets encumbered by any type of guarantee provided in favor of third parties.

6.4 Investments in subsidiaries and other non current assets

The value of financial assets mainly refers to 50 95% protection cash collect certificates signed during 2019 by Unicredit bank due 20 November 2023 for a total amount of Euro 50 thousand. In addition, it is recalled that the account includes securities of the Credito Valtellinese ex Istituto Carifano, originally registered at the cost of purchase or subscription and devalued for lasting loss during 2017 having suffered a significant reduction in the list that has had a character of temporal persistence.

The investments registered in the fixed assets for Euro 1 refer to a stake in a subsidiary registered at the cost of purchase following subscription in November 2020, of the entire capital of an English company called Civitanavi UK Ltd, founded in 2020, for commercial development purposes, and currently inactive.

6.5 Deffered tax assets

The following table shows the detailed prospectus of deferred and deferred tax assets as at 30 September 2021 and 31 December 2020.

(Euro)	**30.09.2021**	**31.12.2020**
Assumed losses on claims	9.008	8.400
Losses on unso realised exchange rates	176	176
Intangible assets	2.657.524	2.873.000
Work in progress on order	756.448	808.699
Inventories	36.000	24.000
Derivative financial instruments	10.635	14.417
Provisions for risks and charges	-	5.535
Provisions for employee benefits	27.813	32.665
Activities by right of use	37.169	24.792
Deferred tax activities	**3.534.773**	**3.791.685**

The deferred tax asset have been registered since it has been considered probable that taxable income will be realized against which they can be used. During 2021, deferred tax assets decreased by Euro 257 thousand mainly due to the tax amortization relating to the first nine months of 2021 related to the tax benefit deriving from the revaluation pursuant to the provisions of Article 110 of Decree Law 104/2020 (converted with amendments by Law 126/2020) which took place in the financial statements at 31 December 2020 approved in accordance with national accounting standards and subject to *derecognition* during the first adoption of EU-IFRS and the use of the risk fund on orders for work in progress on order.

The following table shows the schedule of deferred tax liabilities at 30 September 2021 and 31 December 2020.

(Euro)	**30.09.2021**	**31.12.2020**
Profits on uneased exchanges	512	761
Work in progress on order	12.816	12.816
Deferred tax liabilities	**13.328**	**13.577**

The following table shows the composition and movement of the gross value of deferred tax assets for the period ended 30 September 2021.

(Euro)	**Assumed losses on claims**	**Gains and losses on unfulased foreign exchange**	**Intangible assets**	**Work in progress to order**	**Inventories**	**Derivative financial instruments**	**Provisons for risks and charges**	**Provisions for employee obligations**	**right of use assets**	**Total assets for deferred taxes**
Balance as of 31.12.2020	**8.400**	**176**	**2.873.000**	**808.699**	**24.000**	**14.417**	**5.535**	**32.665**	**24.792**	**3.791.685**

Accruals (releases) at C/E	608		(215.476)	(52.251)	12.000		(5.535)		12.377	(248.277)
Accruals (releases) at overall C/E						(3.782)		(4.852)		(8.634)
Balance as of 30.09.2021	**9.008**	**176**	**2.657.524**	**756.448**	**36.000**	**10.635**	**-**	**27.813**	**37.169**	**3.534.773**

Deferred tax assets and deferred tax liabilities arise from temporary differences between the value attributed to an asset or liability on the balance sheet and the value attributed to that same asset or liability for tax purposes.

6.6 Inventories

The following table shows the statement of inventories as at 30 September 2021 and 31 December 2020.

(Euro)	**30.09.2021**	**31.12.2020**
Finished products and goods	1.986.932	571.857
Raw, subsidiary and consumer materials	2.711.866	2.031.501
Processed and semi-finished products	1.282.026	428.589
Advance payments to suppliers for goods	80.947	18.916
Gross inventories	**6.061.772**	**3.050.863**
Inventories write-down fund	(150.000)	(100.000)
Inventories	**5.911.772**	**2.950.863**

The impairment of inventories amounted to Euro 150 thousand at September 30, 2021. Provisions for the period amounted to Euro 50 thousand.

The significant increase in the finished products warehouse is mainly attributable to goods ready to be shipped whose shipment has been postponed to October 2021 based on request of the customer.

6.7 Trade receivables

The following table shows the detailed trade receivables statement at 30 September 2021 and 31 December 2020.

(Euro)	**30.09.2021**	**31.12.2020**
Trade receivables from customers	4.207.529	6.613.941
Trade receivables from subsidiaries	-	-
Trade receivables from other related parties	-	-
Trade receivables before write-down fund receivables	**4.207.529**	**6.613.941**
Trade receivables write-down fund	(106.869)	(86.869)
Trade receivables	**4.100.660**	**6.527.072**

The book value of trade receivables is deemed to approximate the relative *fair value*.

The following table provides a breakdown of trade receivables at 30 September 2021.

(Euro)	**Expiring**	**Expired up to 30 days**	**Expired between 30 and 60 days**	**Expired between 61 and 90 days**	**Expired over 90 days**	**Total**
Gross trade receivables as at 30 September 2021	1.345.830	1.379.313	275.960	264.015	942.410	**4.207.529**
Invoices to be issued/Credit notes to be issued	-	-	-	-	-	-
Credit write-down fund	-	-	-	-	-	**(106.869)**
Trade receivables as at 30 September 2021	**1.345.830**	**1.379.313**	**275.960**	**264.015**	**942.410**	**4.100.660**

It should be noted that the expired period over 365 days amounts to Euro 163 thousand and mainly refers to the VAT credit relating to the position written off at December 31, 2020 towards the customer Piaggio Aero Industries S.p.A. equal to Euro 128 thousand.

Pursuant to Article 2427 number 6 of the Civil Code, it is specified that there are no receivables due for more than 5 years.

The following table shows the movement of the trade receivables write-down fund for the period ended 30 September 2021.

(Euro)	**Trade receivables write-down fund**

Balance at 31 December 2020	**86.869**
Provisions	20.000
Use	-
Balance as at 30 September 2021	**106.869**

6.8 Activities for work in progress on order

Activities for work in progress on order, amounting to Euro 16,537 thousand at September 30, 2021 and equal to Euro 12,411 thousand at December 31, 2020, refer to the remainder of work in progress of multiannual contracts.

Liabilities for advance payments on work in progress, amounting to Euro 13,536 thousand at September 30, 2021 and equal to Euro 11,769 thousand at December 31, 2020, refer to advances received from customers for multi-year contracts.

Assets for work in progress on order are shown gross of future losses yet to be accrued, which are classified within the funds for risks and charges.

The following table shows the net book value of assets for work in progress to order.

(Euro)	**30.09.2021**	**31.12.2020**
Activities for work in progress on order	16.536.815	12.410.848
Provisions for future losses committed	(9.880)	(226.862)
Net book value of assets for work in progress to order	**16.526.936**	**12.183.986**

For more information on work in progress on order, please refer to note 7.1 of this document.

6.9 Other receivables and current assets

The following table shows the prospectus of detail of other Credits and current activity between30 September 2021 and to 31 December 2020.

(Euro)	**30.09.2021**	**31.12.2020**
Tax receivables	736.883	1.257.352
Rebates	282.226	78.288
Advances	212.543	75.864
Other credits	1.998	236
Other current receivables and assets	**1.233.650**	**1.411.740**

Tax receivables mainly refer to:

- tax credit for research and development costs (equal to Euro 413 thousand at September 30, 2021 and Euro 585 thousand at December 31, 2020);
- VAT credit to the Treasury (equal to Euro 160 thousand at September 30, 2021 and Euro 233 thousand at December 31, 2020);
- credit for contribution Law 808 (0 at 30 September 2021 and equal to Euro 263 thousand at 31 December 2020);
- credit for Sabatini Contribution (for Euro 70 thousand at September 30, 2021 and for Euro 81 thousand at December 31, 2020).

The active rebates are mainly related to: (i) insurance premiums and software assistance fees; (ii) suspended costs related to the listing process in place on the Mercato Telematico Azionario for a total of Euro 167 thousand in accordance with IAS 32.

The advances and payments on account, amounting to Euro 212 thousand, received advances from customers during the first nine months of the year 2021 for a total of Euro 155 thousand.

6.10 Current assets

The following table shows the value of current financial assets to the 30 September 2021 and to 31 December 2020.

(Euro)	**30.09.2021**	**31.12.2020**
Current financial assets	3.014.100	0

The item current financial assets of Euro 3,014 thousand includes the fair value of investments in Sicav/Sicaf/ETF mutual funds deposited in custody with Unicredit on 30 September 2021. Adaptation to the *fair value* at September 30, 2021, it generated a financial income of Euro 48 thousand and a financial charge of Euro 10 thousand. For further details, please refer to the note 7.9 of this document.

6.11 Cash and cash equivalents

The following table shows the cash and cash equivalents at 30 September 2021 and 31 December 2020.

(Euro)	**30.09.2021**	**31.12.2020**
Bank and postal deposits	1.742.641	5.593.009
Cash	7.474	3.896
Cash and cash equivalents	**1.750.116**	**5.596.905**

In the considered period the liquidity availability are not subject a restrictions or constraints.

Please refer to the cash-flow statement schedule for changes in cash equivalents during the periods under review.

6.12 Equity

The following table shows the statement of shareholders' equity as at 30 September 2021 and 31 December 2020.

(Euro)	**30.09.2021**	**31.12.2020**
ShareCapital	500.000	500.000
Legal reserve	100.000	100.000
Extraordinary reserve	10.454.615	9.122.002
Derivative negative reserve	(33.678)	(45.655)
First adoption EU-IFRS reserve	(32.454)	(32.454)
Actuarial gains and losses reserve	(41.607)	(73.372)
Other reserves	-	2.600
Retained earnings	2.513.883	(2.047.419)
Net profit	2.603.096	5.891.315
Total equity	**16.063.856**	**13.417.018**

The statement of changes in shareholders' equity is shown in the relevant section.

Share Capital
As at September 30, 2021, the Company's share capital, fully subscribed and paid-up, amounted to Euro 500 thousand.

Derivatives reserve
The Derivatives Reserve, net of the deferred tax effect, was almost entirely entered against the "*fair value*" negative at the closing date of the Interim Financial Statements of the derivative (IRS) stipulated to cover the risk of change in the interest rate of the bank bond issued in 2018 with a contractual notional value of Euro 5,000 thousand. For more information, see footnote 6.13 of this document.

First time adoption EU-IFRS reserve
The reservation from the first adoption of the EU-IFRS shows a negative balance of Euro 32 thousand and represents the effects of the conversion from accounting standards Italians at EU-IFRS.

Reserve Useful and losses Actuarial
The reserve useful and actuarial losses collects the incomes and the losses arising from changes of actuarial hypothesis regarding defined benefit plans for profit. Please refer to footnote 6.14 hereof.

Other reserves
To the September 30, 2021, the other reserves mainly include the reserve for unsouped foreign exchange gains of euro 2 thousand merged into the extraordinary reserve with the allocation of the operating profit of December 31, 2020.

The following table shows the items of equity, with specification of their origin, possibility of use and distribution, and how they have been used in previous years.

(Euro)	**As of September 30, 2021**	**Origin / nature**	**Possibility of use**	**Available fee**
Share Capital	500.000	Capital	B	
Legal reserve	100.000	Useful	A; B	
Extraordinary reserve	10.454.615	Useful	A; B; C;D	10.454.615
Reserve profits on unfulased exchange rates	0	Useful	A; B	
Actuarial gains and losses reserve	(41.607)	Useful		
First adoption EU-IFRS reserve	(32.454)	Capital		

Reserve for operations to hedge expected cash flows	(33.678)	Capital		
Retained earnings	2.513.883	Useful	A; B; C;D	
Other reserves	-	Capital	A; B	
Total	**13.460.760**			

In previous table, for each item, possibilities of usage are provided:

- A: for increase of capital
- B: for cover losses
- C: for distribution to members
- D: for other statutory constraints
- E: Other

6.13 Financial liability (current and not currents)

The following table shows the prospectus of detail of Financial current and not current liabilities between 30 September 2021 and 31 December 2020.

(Euro)	30.09.2021		31.12.2020	
	Current	**Non-current**	**Current**	**Non-current**
Unicredit 2018 bond issue (a)	2.690.260		3.306.307	
Total bonds	**2.690.260**		**3.306.307**	
Loans with credit institutions (b)	319.615	152.558	376.123	377.630
Hedging derivative (c)	44.313		60.072	
Mise Loan (d)		789.797		777.720
Credit card debts	975			
Total financial payables	**364.903**	**942.355**	**436.195**	**1.155.350**
Total Financial Liabilities	**3.055.162**	**942.355**	**3.742.501**	**1.155.350**
Total current and non-current quota	**3.997.518**		**4.897.851**	

Below is a description of the main items that make up the Company's financial liabilities at 30 September 2021 and 31 December 2020.

a. Bond loan

<u>*Unicredit Bond*</u>

On December 21, 2018, the Company issued an interest-bearing bond maturing December 21, 2024 with an initial nominal value of Euro 5 million; the same has been signed by a qualified investor pursuant to art. 2483 c.c. and is entered under the heading "bonds" according to the criterion of amortised cost.

Debt securities bear interest at the nominal variable rate equal to the three-month Euribor increased by 200 basis points (2%) per year and the payment of interest thus accrued on the securities is made in arrears with quarterly periodicity.

The regulation of the bond issue provides that the Company must comply with certain obligations and / or commitments not to do including in particular the obligation to not to assume additional medium-long term financial debt in any form for a capital amount individually exceeding Euro 400 thousand per single year, and a total exceeding Euro 2,000 thousand for the entire duration of the same.

At 31 December 2019, the Company did not comply with this commitment, having signed a new loan agreement with Banca Intesa Chirografario Sabatini (soft loan) during the year for a capital amount of Euro 500 thousand, despite having promptly informed Unicredit of the situation, obtaining an informal consent from the Credit Institution. Please note that on October 27, 2021, the Company received the waiver from Unicredit, formally healing the position.

Furthermore, at 31 December 2020 and 30 September 2021, the Company did not comply with the aforementioned contractual commitment, having contracted new financial debt during the 2020 financial year, called Financing MiSe 2018 (subsidized loan), obtained for a capital amount of Euro 877 thousand. In this regard, it should be noted that, as described in the previous point, the Company has maintained informal contacts with Unicredit on the basis of which it has obtained an informal consent to the transaction. At the date of this document, the Company has been informed that Unicredit should resolve on the waiver in the short term.As at 30 September 2021, this liability was therefore reclassified as short-term.

The company does not have financing contracts in place that require compliance with financial parameters.

b. Funding with credit institutions

(Euro)	30.09.2021		31.12.2020	
	Current share	**Non-current quota**	**Current share**	**Non-current quota**
Creval Sabatini Loan (B 1)	42.881	-	101.933	17.199
Banca Intesa Loan 2018 (B 2)	148.980	12.509	147.468	124.438
Financing Loan 120280 (B 3)	127.607	140.196	126.668	236.007
Total	**319.468**	**152.705**	**376.123**	**377.630**
Current Payables to Banks	975			
Total Funding	**320.443**	**152.705**	**376.123**	**377.630**

B 1) Creval Loan- Chirografario Sabatini "Beni strumentali" 2018

As part of the Horizon 2020 programme, the European Investment Bank and the European Investment Fund have signed a delegation agreement with the EU for the management of specific financial instruments aimed at facilitating access to credit for SMEs and Small Mid Caps and supporting investments in the field of research and innovation.

So in January 2018 the company entered into a loan agreement with Banca Creval for a total amount of € 400,000.

This funding is supported by the InnovFin Guarantee for companies, with the support of the European Union under the Horizon 2020 Program.

B 2) Banca Intesa Loan – Chirografario Sabatini 2018

On November 27, 2018, the company entered into a loan agreement with Banca Intesa for a total amount of € 575,000. The deadline for the loan is set for October 31, 2022 and the installments are repaid in monthly arrears.
This loan is assisted by the Guarantee Fund for small and medium-sized company established pursuant to Article 2, paragraph 100 letter a) of Law 662/96 and regulated by the decrees of the Ministry of Industry, Trade and Crafts of 31/05/1999 n.248 and 03/12/1999 and the decree of the Ministry of Productive Activities of 23/09/2005.

B 3) Banca Intesa Loan – Chirografario Sabatini 2019

On November 28, 2019 the company has stipulated with Intesa Sanpaolo Bank one contract of loan for one amount total of € 500,000. The deadline for the loan is set for October 31, 2023. The the contract provides for the repayment at increasing rates, with monthly periodicity and beginning at 31 December 2019 and the settlement of monthly interest postponed from 30 November 2019, at the fixed rate of 0.95% per annum.
This loan is assisted by the Guarantee Fund for small and medium-sized company established pursuant to Article 2, paragraph 100 letter a) of Law 662/96 and regulated by the decrees of the Ministry of Industry, Trade and Crafts of 31/05/1999 n.248 and 03/12/1999 and the decree of the Ministry of Productive Activities of 23/09/2005.

c. *Hedging derivative*

The item receives almost the entire "fair value" negative at the balance sheet date of the derivative hedging the risk of changing the interest rate on the bond loan entered into on 21/12/2018 with a contractual notional amount of Euro 5,000 thousand and maturity 20/12/2024. At 31 December 2020 and 30 September 2021, this liability is reclassified as short-term as a result of what is described in point a. above in relation to non-compliance with the non-financial parameter provided for in the bond loan agreement.

Below is the change in Fair Value:

(Euro)	**Notional amount**	**Mark to market negativo**
30.09.2021	2.708.333	44.313 (*)
31.12.2020	3.333.333	60.072

(*) Data as at 31 August 2021

d. *MiSe Loan - 2018*

On 05 February 2018, the company Civitanavi Systems SpA, in the context of Law no. 808 of 24.12.1985 concerning "Interventions for the development and increase of competitiveness of industries operating in the aeronautical sector", requested a total funding of Euro 1,515,382 for the project "FOGPIC Fiber Optic Gyroscope Photonic Inertial Chip", equal to 75% of the costs / expenses of research and development activities related to the years 2018-2019, divided into annual instalments and with the allocation of the related expenditure for each year.
Subsequently, on February 28, 2020, the company requested an extension of the duration of the project in question, in the face of slowdowns due to the strong character of technological innovation that created technical problems for the project.

In doing so, it was allowed to report on the activities carried out in the years 2018 and 2019 following the approval of the 2019 financial statements and to extend the remaining activities until 31 December 2020. In 2021, a further report was presented, such as to conclude with the disbursement of a tranche of Euro 317,951.08 (of which 20% non-repayable) which will lead, in the event of a positive outcome of the verification, to a total disbursed equal to Euro 1,427,259.67. This amount must be repaid by the Company only in the part of the loan, as 20% (equal to Euro 1,141,807.73) is non-repayable. The remaining part will be repaid in 10 annual installments of Euro 114,180.77 starting from 2022. The company received only the first tranche of the loan referring to the expenses made in the years 2018 and 2019.
The final repayment deadline of the loan is set at 2031 (in annual repayment installments of 80% of the total loan starting from 2022).

The following tables show changes in liabilities for the periods under review under IAS 7 financial deriving from the cash flows generated and/or absorbed by the financing activity, as well as deriving from Of elements non-monetary.

(Euro)	**As of January 1, 2021**	**Increase**	**Change in hedging derivatives**	**Refunds**	**Amortised cost**	**September 30, 2021**
Current and non-current financial liabilities	4.897.851	975	(15.759)	(907.538)	21.988	3.997.518
Total financial liabilities	**4.897.851**	**975**	**(15.759)**	**(907.538)**	**21.988**	**3.997.518**

6.14 Employee benefit obligations

The following table shows the composition and movement of provision for employee benefit obligations for the period closed on 30 September 2021.

(Euro)	**End-of-relationship treatment**
Balance at 31 December 2020	**655.934**
Current service cost	144.038
Financial charges	1.664
Actuarial losses/(profits)	(41.796)
Paid benefits	(6.892)
Balance as at 30 September 2021	**752.948**

Employee benefit provisions represent the estimate of the obligation, determined on the basis of actuarial techniques, relating to the amount to be paid to employees upon termination of employment
On September 30, 2021, the provisions for employee benefits refer to the end-of-relationship treatment (hereinafter "**TFR**") set aside for employees.

Severance indemnities (TFR)

Employee benefits related to severance pay amount to Euro 753 thousand and Euro 656 thousand respectively at 30 September 2021 and 31 December 2020.

The value of the debt per severance indemnities, which falls within the definition of benefit plans defined according to IAS 19, has been determined according to actuarial logics.. The main actuarial and financial assumptions are reported below and demographics used to determine the value of the liability as at 30 September 2021 in agreement Provisions of the IAS 19.

Summary of the technical and economic bases *(As a percentage)*	**As of September 30, 2021**
Annual discount rate	0,88%
Annual rate of inflation	0,80%
Annual rate of increase in severance pay	2,10%
Annual rate of wage increase	0,50%
Death	Mortality tables RG48 published by the General Accounting Office of the State
Disability	INPS tables distinguished by age and sex
Retirement	100% to achieve the AGO requirements appropriate to Legislative Decree 4/2019
TFR anticipation probability	1,00%
Annual turnover rate	3,00%

The following table summarizes the sensitivity analysis for each actuarial, financial and demographic assumption, showing the effects (in value absolute) who there would be states following of variations of hypothesis actuarial reasonably possible to the 31 December 2020.

Sensitivity analysis 2021	As of September 30, 2021
Turnover rate +1.00%	742.847
Turnover rate -1.00%	764.792
Inflation rate +0.25%	775.958
Inflation rate -0.25%	730.815
Discount rate +0.25%	724.774
Discount rate -0.25%	782.739

The table below shows the estimate of the expected payments (in nominal value) at 31 December 2020 relating to the TFR in years Future.

Years	Planned disbursements (Euro)
2022	59.380
2023	35.739
2024	41.724
2025	47.393
2026	52.767

6.15 Provisions for risks

The following table shows the composition and movement of the funds for risks and charges for the period ended 30 September 2021 and for the year ended 31 December 2020.

(Euro)	**30.09.2021**	**31.12.2020**
Risk provisions for legal disputes	-	23.064
Provisions for future losses committed	9.880	226.862
Provisions for risks and charges	**9.880**	**249.926**

(Euro)	**Risk fund for legal disputes**	**Fund for future losses committed**	**Total**
Fund as at 31 December 2020	**23.064**	**226.862**	**249.926**
Provisions	-	-	**-**
Use	(23.064)	(216.982)	**(240.047)**
Fund as at 30 September 2021	**-**	**9.880**	**9.880**

The risk fund for future losses committed as at 31 December 2020 refers to two contracts with a negative margin as they represent an investment in terms of product and technology development that the company has evaluated as strategic in order to acquire the client and significant future opportunities. As of September 30, 2021, the fund is used for Euro 217 thousand.

The legal litigation risk fund of Euro 23 thousand at December 31, 2020 is fully used following the loss of a lawsuit against an employee and subsequent payment.

6.16 Trade payables

The following table shows the commercial payables as at 30 September 2021 and 31 December 2020.

(Euro)	**30.09.2021**	**31.12.2020**
Trade payables to suppliers	1.752.341	1.967.692
Trade payables to subsidiaries		-
Trade payables to other related parties	24.000	-
Trade payables	**1.776.341**	**1.967.692**

Trade payables are mainly related to transactions for the purchase of raw materials, components and services.

For related party trade payables, see note 8 to this document

The value of trade payables is considered to be close to its fair value.

6.17 Current tax liabilities

Current tax liabilities amounted to Euro 530 thousand at September 30, 2021 and Euro 768 thousand at December 31, 2020.

The item includes only liabilities for certain and determined taxes, in particular it refers to: i) withholding taxes made at source on debts from employees, assimilated and self-employed for Euro 75 thousand at September 30, 2021 and for Euro 151 thousand in 2020; ii) IRES-IRAP debt of Euro 377 thousand at September 30, 2021 and Euro 317 thousand in 2020; iii) debt relating to the substitute tax for the revaluation of intangible assets made pursuant to Law 127/2020 equal to Euro 300 thousand at December 31, 2020 and null at September 30, 2021; iiii) Other tax payables of Euro 75 thousand at September 30, 2021 and null and void at December 31, 2020.
Other tax payables are attributable to current tax liabilities accounted for in relation to the error correction made to work in progress on order in the Company's financial statements as at 31 December 2020 approved in accordance with national accounting standards; this adjustment reflects the requirements of international accounting standard IFRS 15.

6.18 Other liabilities

The following table shows the detailed statement of other current payables and liabilities as at 30 September 2021 and 31 December 2020.

(Euro)	**30.09.2021**	**31.12.2020**
Payables to employees	892.877	696.612
Provision to pension funds	315.319	368.419
Passive rebates	108.103	137.302
Payables to sole director	9.877	6.373
Accruals	716	925
Other	566.379	166.540
Other current liabilities	**1.893.271**	**1.376.172**

Liabilities to employees mainly refer to payable wages and deferred charges, such as holidays, leaves and additional monthly payments. The increase in this item is attributable to the allocation of the thirteenth month not yet paid.

Payables to pension funds mainly refer to liabilities to pension institutions and pension for the payment of contributions. The decrease in this item is attributable to the classification among the payables to employees of the debts to pension institutions relating to the thirteenth month.

Other payables include almost all advance payments from customers of Euro 563 thousand at September 30, 2021 and Euro 163 thousand at December 31, 2020. This item increases for the advances collected referring to orders placed in 2021.

The deferred liabilities relate to contributions in c / capital approved by the Marche Region for the purchase of machinery recorded in the item "Other revenue" and to interest subsidies DM 25/01/2016 Nuova Sabatini referred to in the Mise Decrees of 14/02/2018, 09/04/2019 and 02/03/2020, as well as for investments in capital goods made in 2020.

7. Notes to the income statement

7.1 Operating revenue

At September 30, 2021, operating revenues amounted to Euro 16,495 thousand and consisted of a change in inventories of Euro 2,269 thousand and contracts with customers for Euro 14,226 thousand, of which Euro 4,126 thousand for changes in activities for work in progress on order.

The following table shows the statement of operating revenues by geographical area for periods Closed to the 30 September 2021 and 2020.

(Euro)	**30.09.2021**	**30.09.2020**
Italy*	1.868.138	629.000
EU*	1.387.780	434.000
Extra UE*	10.970.733	9.574.000
Total contracts	**14.226.651**	**10.637.000**
Of which WIP (Change in Activity for work in progress on order)	***4.125.651***	***3.087.000***
Change in inventories	2.268.511	785.563
Total operating revenue	**16.495.161**	**11.422.563**

*Data including the Change in Activity for work in progress on order at 30 September 2021 and 2020.

The item Change in Assets for work in progress on order includes the economic counterpart of the provision for risks for future losses committed, null and void at 30 September 2021 as shown below.

(Euro)	**September 30, 2021**		
	Change in the financial year	**Provision for risks**	**Total**
Revenues Work in progress change 30 September 2021	4.125.967	0	4.125.967

Almost all contracts with clients entered into by the Company do not foresee variable fees.
The Company considers that there is no contract that contains a significant financial component, i.e. for which the period between the transfer of the agreed asset to the customer and the payment made by the customer exceeds twelve months. Therefore, the Company has not made any adjustment of the consideration of the transaction to take into account the effects of the time value of the money.

<u>Information on Operating Segments</u>

In accordance with IFRS 8 par.12, after a qualitative assessment by the company, it was decided to group the business divisions into a single reporting segment.

7.2 Other revenues

The following table reports showsthe prospectus of detail of other Revenues and proceeds for periods closed at the 30 September 2021 and 2020.

(Euro)	**30.09.2021**	**30.09.2020**
Recoveries and chargebacks	219	3.938
Contributions for the financial year	30.828	148.876
Other contributions	18.575	18.575
Contingents/surpluses on assets	6.423	-
Other	26.117	1.593
Other revenues and income	**82.162**	**172.983**

The operating grants are referred to a Credits tax on projects of research and to a contribution obtained from CNR for a specific project.

7.3 Raw material costs and inventory changes

The following table reports the prospectus of detail of shopping and Consumption of Raw materials prime, semi-finished andfinished products for periods Closed to the 30 September 2021 and 2020.

(Euro)	**30.09.2021**	**30.09.2020**
Purchases of raw materials, finished products, components and consumables	5.514.522	3.093.806
Changes in inventories of raw materials, subsidiaries, consumption and goods	630.365	573.083
Cost per purchase of goods and change in inventories	**6.144.887**	**3.666.889**

The item variations of inventories include Provisions Net to the bottom devaluation Inventories for one value of Euro 50 thousand for the period ended September 30, 2021 and Euro 50 thousand for the period closed to the September 30, 2020. The increase in this cost line, not proportional to the increase in the turnover of products, is significantly affected by the influence of the costs incurred for the purchase of products (KIT) sold substantially at cost price, as a result of company strategic choices (for more details, please refer to the management report "Company's performance and analysis of the results for the period ended 30 September 2021"). These costs did not generate a proportional growth in terms of turnover. Going to neutralize the costs and revenues deriving from this contract, the incidence of purchases and consumption of raw materials, semi-finished and finished products on revenues from sales of products is in line with previous years.

7.4 Personnel costs

The table indicate the detail of costs for the staff for periods closed to the 30 September 2021 and 2020.

(Euro)	**30.09.2021**	**30.09.2020**
Wages and salaries	2.119.143	2.286.272
Social security contributions	780.393	632.683
Charges for severaty payment	188.872	159.738
Other	17.208	14.008
Personnel costs	**3.105.617**	**3.092.701**

The item increased by Euro 13 thousand due to the combined effect; i) the increase in social security contributions, severancy allowance charges and others of Euro 180 thousand mainly due to new hires made starting from the second half of 2020 and beginning of 2021 in order to cope with business growth; ii) the decrease in the cost for wages and salaries of Euro 167 thousand due to the reversal by nature of the capitalized costs in R&D equal to Euro 508 thousand. Please refer to footnote 6.1 of this document.

The following table shows the average and punctual number of employees of the Company for periods closed at the 30 September 2021 and 2020, with indication of the category.

Punctual number	**30.09.2021**	**30.09.2020**
Workers	36	23
Employees	73	60
Managers	7	4
Executives	2	1
Total employees	**118**	**88**

Average number	**30.09.2021**	**30.09.2020**
Workers	30	22
Employees	69	56
Managers	6	3
Executives	1	1
Total employees	**106**	**82**

7.5 Costs for services

The following table reports the prospectus of detail of costs for services for periods Closed to the 30 September 2021 and

2020.

(Euro)	**30.09.2021**	**30.09.2020**
Utilities and cleaning services	95.970	65.991
Maintenance	45.532	54.734
Transport	76.559	51.007
Consulting	729.182	730.405
R&D Services	778.512	332.659
Travel and accommodation costs	68.911	67.208
External processing	358.100	313.448
Marketing and trade fairs	30.441	21.435
Insurance	45.258	31.666
Canteen	83.632	52.272
Commissions	6.537	7.534
Remuneration Sole Director	138.351	111.092
Remuneration of indipendent auditors	28.811	7.800
Other services	137.381	60.343
Costs for services	**2.623.177**	**1.907.594**

The services mainly refer to Research and Development services commissioned by customers, on which there is a marked increase due to the increase in work in progress compared to the same period of 2020, consultancy (technical, administrative, legal, etc.), external processing, compensation of the administrative body (sole director) and costs for other services. The latter refers mainly to the expenses incurred by the Company for the containment of the Covid-19 pandemic noting a significant increase compared to the same period of 2020.

7.6 Other operating costs

The following table shows the statement of other operating costs for periods Closed to the 30 September 2021 and 2020.

(Euro)	**30.09.2021**	**30.09.2020**
Rental, rental and licensing costs	106.848	89.617
Taxes and fees	4.398	1.376
Membership fees and benefits	9.788	8.748
Other minors	4.004	8.289
Other operating costs	**125.037**	**108.029**

Costs related to leases include: *(i)* rents referring to the rental of short-term assets and *(ii)* costs related to the use of the assets underlying the contracts of lease who do not fall within the scope of application of IFRS 16 (this is software rental).

7.7 Write down of financial assets

Write-downs of financial assets of Euro 20 thousand and Euro 17 thousand respectively on 30 September 2021 and 30 September 2020, refer to the devaluation of trade receivables.
Below is the detailed prospectus relating to the movement of the credit write-down fund for periods closed at the 30 September 2021 and 2020.

(Euro)	**30.09.2021**	**30.09.2020**
Provisions and write-downs of receivables from current assets	20.000	17.382
Net write-downs of financial assets	**20.000**	**17.382**

The provisions for the year derive from the calculation of the provision for write-downs on loans carried out in accordance with IFRS 9 as well as the *Probability of Deafault* of the year and of the reference sector.

7.8 Depreciation and amortization

The following table shows the statement of depreciation and amortization for periods Closed to the 30 September 2021 and 2020.

(Euro)	30.09.2021	30.09.2020
Depreciation and write-downs of intangible assets	182.710	198.015
Depreciation and amortization of tangible assets	429.236	375.366
Depreciation and write-downs of assets for right of use	141.243	108.860
Provisions for risks	-	20.000
Depreciation and amortization	**753.189**	**702.241**

The item recorded an increase of Euro 51 thousand mainly due to the increase in depreciation for rights of use attributable to the adjustment of rents, for the percentage contractually provided for, to the average annual change in the FOI index (nt) - National index of consumer prices for families of workers and employees that during 2021 records a trend of continuous growth and an average change of 1.4% compared to 2020

7.9 Net financial chareges

The following table shows the detailed statement of financial income for periods closed at the 30 September 2021 and 30 September 2020.

(Euro)	30.09.2021	30.09.2020
Interest income	-	15
Net foreign exchange gains	11.353	18.541
Other financial income	725	-
Revaluation of financial investments	48.145	-
Financial income	**60.224**	**18.556**

The increase in financial income derives mainly from the revaluation of financial investments for the adjustment to fair value at 30 September 2021.

The following table shows the detailed statement of financial charges for the periods ended 30 September 2021 and 2020.

(Euro)	30.09.2021	30.09.2020
Interest on bonds or loans	61.836	70.536
Bank interest	2.375	1.754
Net foreign exchange losses	21.810	15.897
Interest on liabilities per lease	38.713	30.178
Interest on discounting benefits funds to employees	1.664	-
Devaluation of financial investments	10.689	-
Charges on derivative contracts	19.218	20.149
Other financial charges	342	-
Financial charges	**156.646**	**138.514**

Financial charges increased by Euro 18 thousand mainly due to: i) the increase in interest expense per lease of Euro 8 thousand, due to the adjustment of rental fees, for the percentage contractually envisaged, to the average annual change in the index *FOI(nt) - National Index of Consumer Prices for Manual and White-Collar Households* whereas during 2021 it recorded a trend of continuous growth and an average variation of 1.4 % compared to 2020; ii) the write-down of financial investments for the adjustment to fair value at September 30, 2021 for Euro 11 thousand.

7.10 Income taxes expense

The following table shows the prospectus of detail of taxes on income for periods Closed to the 30 September 2021 and 2020.

(Euro)	30.09.2021	30.09.2020
Current taxes	783.205	485.659
Deferred taxes	242.850	- 11.170
Taxes relating to previous years	79.843	-
Income taxes	**1.105.898**	**474.489**

The following table shows the reconciliation of the theoretical rate of taxation with the actual incidenceon profit before taxes for periods Closed to the September 30, 2021.

(Euro)	**30.09.2021**
Profit before taxes	**3.708.994**
Theoretical rate	24%
Theoretical tax burden	**(890.159)**
Tax effects non-taxable revenues	2.281
IRAP	(156.835)
ACE	17.120
Tax effect non-deductible costs	(16.484)
Tax benefit from revaluation	180.000
Deferred taxes	(242.848)
Previous years taxes	(79.843)
Other	80.869
Income taxes	**(1.105.898)**

8. Transactions with related parties

The transactions carried out with the related parties, identified on the basis of the criteria defined by IAS 24, are chiefly by nature commercial and Financial and are Made a Normal conditions of market.

The following prospectuses show details of the economic and financial relationships with related parties. The companies indicated have been identified as related parties because they are directly or indirectly linked to theShareholders of reference of the Company.

Related Parties List	**Type and main correlation ratio**
JSC Perm Scientific-Industrial Instrument Making Company (hereinafter also PNPPK)	Company holding stakes in the Chain of Control of the Company
Individuals	
Michael S. Perlmutter (hereinafter PERLMUTTER)	Natural person who holds shares in the chain of control of the Company and member of the Board of Directors in office
Andrea Pizzarulli (hereinafter Pizzarulli)	Sole Director until 12 October 2021 and Chairman of the Board of Directors in office and Chief Executive Officer
Luigi Pizzarulli	Family Chairman of the Board of Directors and Chief Executive Officer
Lucia Cingolani	Spouse of the Chairman of the Board of Directors and Chief Executive Officer
Alessandro Cingolani	Family member of Chairman of the Board of Directors and Chief Executive Officer
Lawyer Roberta Pizzarulli	Family member of the Chairman of the Board of Directors and Chief Executive Officer

The following table summarizes the Company's financial reports to related parties as of September 30, 2021.

RELATED PARTIES *thousands of Euros*	**PNPK**	**Perlmutter**	**Avv. Roberta Pizzarulli**	**Pizzarulli**	**Natural persons family members of the Chairman of the Board of Directors and CEO in office**	**Total**	**Total item**	**Impact on the financial statemnt item**
	Trade receivables							
As of September 30, 2021						**0**	4.101	0%
	Other credits							

As of September 30, 2021					1	**1**	1.234	0%
	Benefits vs employees							
As of September 30, 2021					23	**23**	753	3%
	Debts vs suppliers							
As of September 30, 2021		24				**24**	1.776	1%
	Other current liabilities							
As of September 30, 2021				10	19	**28**	1.784	2%

The following table summarises the Company's economic relations with related parties as at 30 September 2021.

RELATED PARTIES *thousands of Euros*	**PNPK**	**Perlmutter**	**Avv. Roberta Pizzarulli**	**Pizzarulli**	**Natural persons family members of the Chairman of the Board of Directors and CEO**	**Total**	**Total item**	**Impact on the financial statement item**
	Sales revenue							
As of September 30, 2021						**0**	16.495	0%
	Costs for services							
As of September 30, 2021		59	2	141	1	**203**	2.623	8%
	Personnel costs							
As of September 30, 2021					90	**90**	3.106	3%

The costs and revenues, payables and receivables set out above refer to relationships of a commercial and financial nature:

- relations with JSC Perm Scientific-Industrial Instrument Making Company (PNPK) are of a commercial nature and regulated in Euro. In particular, the company sells goods and services to PNPPK; during the period ended 30 September 2021, no relations with the Company were in place;

- relations with Michael S. Perlmutter are of a commercial nature and regulated in Euros. In particular, Michael Perlmutter provides the company with business consulting activities. Trade payables at September 30, 2021 amounted to Euro 24 thousand;

- relations with Avv. Roberta Pizzarulli are of a commercial nature and regulated in Euro. In particular, Avv. Pizzarulli provides legal advice to the company. Consulting costs amounted to Euro 2 thousand at September 30, 2021;

- debts to the sole director, in office until 13 October 2021, the date on which the ordinary shareholders' meeting accepted the resignation of the same and appointed a new administrative body, amounted to Euro 141 thousand at September 30, 2021;

- debts to "natural persons family members of the Administration" refer mainly to employment relationships and amount to Euro 42 thousand at September 30, 2021; costs, mainly related to employment relationships, amounted to Euro 91 thousand at September 30, 2021.

9. Commitments and Risks

The Company has bank guarantees in place to guarantee the commitments undertaken for contractual obligations of a total guaranteed amount equal to €. 26,193 in addition to bank guarantee to guarantee the obligations assumed in the lease of the property in which the company is based for a guaranteed value of € 50,000.

10. Remuneration to Sole Director and statutory auditors

The remuneration due to the sole director, in office in the first 9 months of 2021, amounts to Euro 141 thousand. The Board of Statutory Auditors was appointed in October 2021.
During the financial year No loans or advances have been granted to administrator or Members.

11. Remunneration to the indipendent auditors

The remuneration relating to the auditing firm in office in 2021 for carrying out the voluntary audit of the aforementioned financial statements at 30 September 2021, as well as limited revision of the comparative at 30 September 2020, is equal to Euro 21 thousand. The three-year statutory audit assignment provides for an annual fee of Euro 14 thousand.

12. Activity of research and development

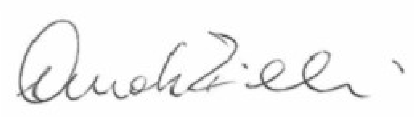
The R&D activity carried out by the Company is aimed both at the introduction of new products that to the implementation of new productive processes. The activity is articulated in different phases, that they go from designing and initiating the new product or process design process to industrialization on large-scale.

13. Significant events subsequent to the period

There are no relevant events to be highlighted after the closing of the year, in addition to what is indicated in the Introduction of this document regarding the transformation into a Joint Stock Company and the appointment of a new governance structure. As previously indicated, in 2021 the company started a process of shares listing on the Italian stock exchange organized and managed by Borsa Italiana S.p.A.

Pedaso, 3 November 2021

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



CIVITANAVI SYSTEMS S.p.A.

Independent auditor’s report

Interim financial statements as at 30 September 2021

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40125 Bologna

Independent auditor's report

To the Board of Directors of
Civitanavi Systems S.p.A.

Opinion

We have audited the interim financial statements of Civitanavi Systems S.p.A. (the Company), which comprise the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the nine-month period ended 30 September 2021, and notes to the interim financial statements, including a summary of significant accounting policies (together hereinafter, the "Interim-Financial Statements").

In our opinion the Interim Financial Statements of Civitanavi Systems S.p.A. for the period ended 30 September 2021 has been prepared, in all material respects, in accordance with the Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Basis of 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 Interim Financial Statements* section of this report. We are independent of the Company in accordance with ethical requirements and standards applicable in Italy that are relevant 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.

Other Matters

The Interim Financial Statements were prepared by management in connection with the procedure for the admission to listing of ordinary shares of the Company on the Mercato Telematico Azionario organised and operated by Borsa Italiana S.p.A.

The statement of profit and loss, the statement of comprehensive income and the statement of cash flows of the Interim Financial Statements present, for comparative purposes, the figures relating to the period ended 30 September 2020 deriving from the interim condensed financial statements at 30 September 2020. These data have been examined by us to a limited extent as deemed necessary in order to issue our report on the Interim Financial Statements.

The statement of financial position of the Interim Financial Statements presents, for comparative purposes, the figures relating to the previous Financial Statements ended 31 December 2020 deriving from the Three-year Financial Statements for the years ended 31 December 2020, 2019 and 2018 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, on which on 3 November 2021 we expressed an unmodified opinion.

Responsibilities of management and those charged with governance for the Interim Financial Statements

Management is responsible for the preparation and fair presentation of the Interim Financial Statements in accordance with Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union and, within the limits of the law, for such internal control as management determines is necessary to enable the preparation of the Interim Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Interim Financial Statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Interim Financial Statements

Our objectives are to obtain reasonable assurance about whether the Interim 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 International Standards on Auditing (ISAs) 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 the Interim Financial Statements.

As part of the audit in accordance with International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the Interim Financial Statements, whether due to fraud or error; design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non 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;
- Obtain and 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;
- Evaluate the appropriateness of accounting principles used and the reasonableness of accounting estimates and related disclosures made management;
- Conclude on the appropriateness of management's use of the going concern 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 Interim 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.

We communicate with those charged with governance, among other matters, the planned scope and timing for the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Bologna, 3 November 2021

Signed by

BDO Italia S.p.A.
Gianmarco Collico
Partner