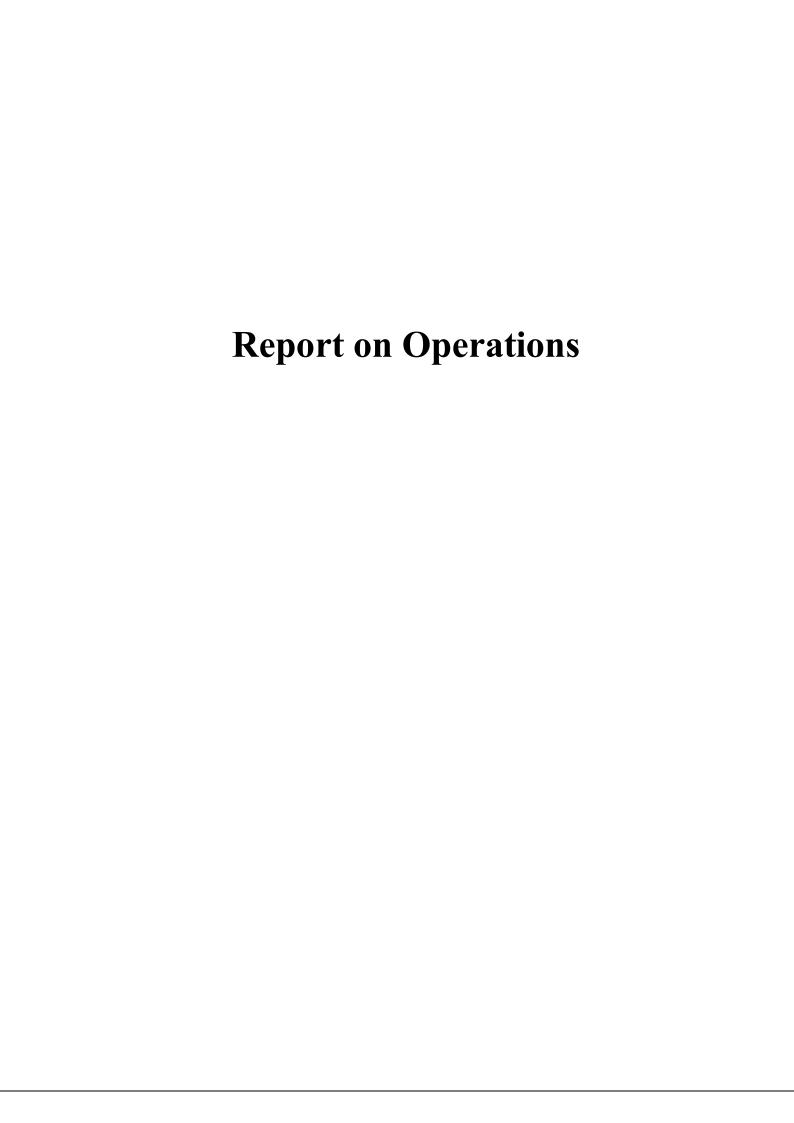


Three-year financial statements for the years ended 31 December 2020, 2019 and 2018

# **SUMMARY**

- Report on Operations.
- Three Year financial statements 2020, 2019 and 2018
- Report of the independent auditors



Dear Sole Shareholder,

this Annual Report to the three-year financial statements for the years ended 31 December 2020, 2019 and 2018, 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 three-year financial statements for the years ended 31 December 2020, 2019 and 2018 drawn up for the purpose of inclusion in the Prospectus relating to the public offer of the shares of Civitanavi Systems S.p.A. for listing on the stock market organized and managed by Borsa Italiana S.p.A. ("2020-2018 Three years Financial Statements").

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 2020-2018 Three-Year Financial Statements have been prepared for the first time in accordance with EU-IFRS. The financial statements that we submit for your approval close with a total profit of Euro 5,858 thousand, after accounting for tax income of Euro 1,906 thousand and amortization and write-downs for a total of Euro 973 thousand.

This 2018-2020 Annual Report is subject to the reopening of the Board of Directors on 3 November 2021, in order to consider the reclassifications made to the items:

Non-current financial liabilities and current financial liabilities at 31 December 2020 and 31 December 2019, namely:

- > Non-current financial liabilities Euro 3,698,825 and Euro 4,122,726 increased to Euro 1,155,350 and Euro 753,712 respectively at 31 December 2020 and 31 December 2019
- > Current financial liabilities Euro 1,199,026 and Euro 1,251,161 rose to Euro 3,742,501 and Euro 4,620,175 respectively at 31 December 2020 and 31 December 2019

Please note that the aforementioned reclassifications were necessary due to the failure of Unicredit to issue a formal authorisation (cd. "Waiver") the assumption by the Company of a soft loan granted in 2019 by Banca Intesa for the amount of Euro 500 thousand and a soft loan granted in 2020 by the Ministry of Economic Development to date disbursed for the amount of Euro 887 thousand.

The Company, pursuant to a bond subscription agreement concluded with Unicredit on 20 December 2018 for the amount of Euro 5,000 thousand, had in fact assumed the obligation not to assume, in the absence of formal authorisation, additional medium-long-term financial indebtedness in any form for online equity amounts individually exceeding Euro 400 thousand per year, and overall exceeding Euro 2,000 thousand for the duration of the bond loan.

Although the company has regularly informed Unicredit of its intention to benefit from the above-mentioned funding and although Unicredit has not made any exceptions in this regard, it should be noted that a formal consent was not issued before the actual assumptions of same part of the company.

In this regard and in addition to the above, it should be noted that on 27 October 2021, the Company received the Waiver from Unicredit regarding the assumption of the Euro 500 thousand loan granted by Banca Intesa, thus formally settling the 2019 position.

At the same time, the company has requested from Unicredit the Waiver relative to the provision of the facilitated financing by the Ministry of Economic Development mentioned above.

The Company, also as a result of informal contacts with Unicredit, considers that there are no grounds impeding the granting of the aforementioned Waiver by Unicredit.

The previous 2018-2020 three-year financial statements were approved by the Chief Executive Officer on 28 September 2021.

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

# Analysis of company performances and year-end results for 2020 and history

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 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 is in strong and constant growth, with a CAGR of 35% from 2018 to 2020, going from Euro 10,538 thousand in total revenue at December 31, 2018 up to Euro 19,135 thousand at December 31, 2020.

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 profit. 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 2020 profitability does not represent the company's growth potential.

The 2020 financial year ended positively by increasing its turnover and market share, in a year 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 year 2020, although closed with positive profit, is not representative of the exponential growth trend of the company.

The trend of the company's profitability is affected by the trend of multi-year orders relating to the development and design of technology commissioned by customers and licence fees. These orders have an average duration of 2 to 4 years. In particular, for projects with a longer duration, there is a sinusoidal curve in terms of margins that records a physiological peak in the first two years and a settlement from the third year until the closing of the order.

In December 2017, the company signed a significant technology transfer contract, against a licence fee for the exploitation of intellectual property followed by royalties associated with the sale of the licensed product, accrued in part in 2018 and mainly in 2019 with a settlement in 2020 and 2021 providing for closure in 2022.

The performance of this significant order led to the peak of margins in 2019.

At the same time, during 2021 the company entered two additional multi-year contracts, a contract with a leading US company in the aerospace sector for the development of an inertial measurement unit and a partnership with a leading company in the Aerospace and Defense sector in the Middle East.

In addition, in terms of margins, 2020 is also influenced by a different mix of revenue on types of products with different margins, but which will determine correlated future economic flows. Specifically, 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 penalizes the margins of the year 2020 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 trend achieved in the last three years.

in thousands of Euros	2020	2019	2018
Aerospace and Defence	11.543	11.061	5.531
Industrial	6.696	4.953	3.926
Other	11	336	40
Change in Inventories PF and SL	39	295	255
Total operating revenue	18.288	16.309	9.752

# 2020 vs 2019

Operating revenues of Euro 18,288 thousand for the year 2020 increased by 12% compared to the previous year, growth slowed by the COVID 19 pandemic as described above. The operating result for 2020, down 23% compared to the previous year, is mainly influenced, as previously argued, by the performance of multi-year orders and the different mix of revenues on types of products with different incidence of margins. Such supplies represent an important opportunity for the society in how much correlated to propaedeutic future economic flows.

# 2019 vs 2018

Operating revenue of Euro 16,309 thousand for the 2019 financial year increased by 67% compared to the previous year. The operating profit increased by Euro 3,791 thousand from Euro 1,473 thousand at December 31, 2018 to Euro 5,264 thousand at December 31, 2019. The significant growth in 2019 is influenced by the trend of multi-year orders previously argued and is part of an exponential development trend of the company.

The following are the prospectuses, reclassified according to the current practice of financial analysis, of the economic, balance sheet and financial data referring to the 2020 financial year, compared with previous years.

# Analysis of reclassified economics figures

in thousands of Euros and percentage of Total Revenue	December 31, 2020	0/0	December 31, 2019	%	December 31, 2018	%
Operating revenue	18.288	96%	16.309	95%	9.752	93%
Other revenue	847	4%	868	5%	787	7%
Total revenue	19.135	100%	17.177	100%	10.538	100%
Raw material costs and inventory changes	6.549	34%	4.762	28%	3.691	35%
Costs for services	2.867	15%	2.557	15%	1.788	17%
Personnel costs	4.255	22%	3.238	19%	2.722	26%
Other operating costs	455	2%	479	3%	95	1%
Total operating costs	14.125	74%	11.035	64%	8.296	79%
Operating profit (EBITDA)	5.010	26%	6.142	36%	2.243	21%
Write-downs of financial assets	33	0%	54	0%	230	2%
Depreciation and amortization and write downs	939	5%	824	5%	539	5%
Operating Profit (EBIT)	4.038	21%	5.264	31%	1.473	14%
Financial income	141	1%	21	0%	6	0%
Financial charges	(193)	(1%)	(196)	(1%)	(142)	(1%)
Profit (Loss) before taxation	3.985	21%	5.089	30%	1.337	13%
Income taxes expense	1.906	10%	(1.275)	(7%)	(196)	(2%)
NET INCOME (A)	5.891	31%	3.814	22%	1.141	11%
THE INCOME (II)	3.071	0170	0.011	2270	11111	1170
Other Profits/(Losses) of the Comprehensive Income Statement net of the tax effect	5.891	31%	3.814	22%	1.141	11%
Profits/(Losses) from liabilities recalculation of defined benefits plan for employees	(36)	10%	(50)	(0%)	13	0%
Cash flow Hedge	3	31%	(15)	(0%)	(34)	(0%)
TOTAL PROFIT/(LOSS) FOR THE YEAR (A) + (B)	5.858	31%	3.749	22%	1.120	11%

The 2020 year-end P/L result coming from core business activity, is composed as follow: total revenue of Euro 19,135 thousand (Euro 16,309 thousand in 2019, Euro 9,752 thousand in 2018); EBITDA of Euro 5,010 thousand (Euro 6,142 thousand in 2019, Euro 2,243 thousand in 2018); EBIT of Euro 4,038 thousand (Euro 5,264 thousand in 2019, Euro 1,473 thousand in 2018).

# Analysis of reclassified capital figures

in thousands of Euros	December 31, 2020	December 31, 2019	December 31, 2018
Trade Receivables	6.527	3.706	3.769
Activities for work in progress on order	12.411	8.542	4.413
Inventories	2.951	3.266	2.523
Trade payables	(1.968)	(1.924)	(1.572)
Advance payments on work in progress	(11.769)	(8.804)	(7.586)
Commercial net working capital	8.152	4.787	1.547
Other current assets	1.412	1.419	867
Tax debts	(768)	(101)	(87)
Other current liabilities	(1.376)	(1.394)	(1.463)
Net working capital	7.419	4.711	864
Tangible assets	2.171	2.006	1.974
Right of use assets	1.882	1.936	2.070
Intangible assets	290	389	89
Investments in subsidiaries and other non current assets	50	50	0
Deferred tax assets	3.792	904	1.471
Employee benefits obligations	(656)	(462)	(287)
Provisions for risks	(250)	(324)	(353)
Deferred tax liabilities	(14)	(13)	(4)
Net fixed assets	7.266	4.488	4.960
Net invested capital	14.685	9.199	5.824
Net financial debt	(1.268)	(1.656)	(2.029)
Equity	(13.417)	(7.543)	(3.795)
Total equity and net financial debt	(14.685)	(9.199)	(5.824)

Net fixed assets at December 31, 2020 showed an increase of Euro 2,778 thousand, compared to the increase recorded by deferred tax assets of Euro 2,887 thousand, the increase in tangible and intangible fixed assets (including the *right of use* linked to the accounting of contracts *lease*) amounted to Euro 11 thousand and the increase in the employee benefit obligations fund of Euro 194 thousand.

The balance of net working capital at December 31, 2020 was 7,419 thousand euros, an increase than the previous period for 2,708 thousand euros (4,711 thousand euros at December 31, 2019); the increase recorded is mainly attributable to the increase in trade receivables recorded during 2020 (+ Euro 2,821 thousand compared to the previous year) and to 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 903 thousand.

Shareholders' equity at 31 December 2020 increased as a 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

Evolution of net financial debt and net financial position is reported below.

in thousands of Euros	As of December 31, 2020	As of December 31, 2019	As of December 31, 2018
A. Cash	4	7	1
B. Cash equivalents	5.593	5.685	6.057
C. Other current financial assets	0	0	0
D. Liquidity (A)+(B)+(C)	5.597	5.692	6.058
E. Current financial debt (including debt instruments, but excluding the current part of non-current financial debt)	(3.505)	(4.302)	(924)
F. Current part of non-current debt	(376)	(428)	(326)
G. Current financial debt (E)+(F)	(3.881)	(4.730)	(1.250)
H. Net current financial debt (G)-(D)	1.716	962	4.809
I. Non-current financial debt (excluding current account and debt instruments)	(2.983)	(2.617)	(2.715)
J. Debt instruments	0	0	(4.123)
K. Trade payables and other non-current liabilities	0	0	0
L. Non-current financial debt (I)+(J)+(K)	(2.983)	(2.617)	(6.838)
M. Total financial debt (H)+(L)	(1.268)	(1.656)	(2.029)

The Company has net financial debt of Euro 1,268 thousand, Euro 1,656 thousand and Euro 2,029 thousand, respectively at December 31, 2020, 2019 and 2018.

The decrease in net financial debt at December 31, 2020 compared to December 31, 2019, totaling Euro 388 thousand, is mainly due to the combined effect deriving from: (i) the decrease in liquidity to Euro 95 thousand, due to the liquidity absorbed by core business activity during the year and (ii) the reduction in financial debt, equal to Euro 483 thousand, mainly attributable to the reimbursement of the current share of the long-term financial debts partly offset by the signing of a MISE loan.

It should be noted that the bond loan provides for the company to comply with some non-financial parameters, defined as "to do and not to do commitments". At 31 December 2019, the Company did not comply with these commitments, 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 assent from the Credit Institution. It should be noted that on 27 October 2021 the Company received the waiver from Unicredit, formally remedying the position.

Furthermore, as at 31 December 2020, the Company did not comply with the aforementioned contractual commitment, having contracted new financial debt during the 2020 financial year, called MiSe 2018 Financing (subsidized loan), obtained for a capital amount of Euro 877 thousand. In this regard, it should be noted that, as previously described, 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 short term.

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

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

# Cash flow statement reclassified

Below is the reclassified financial statement for the three-year period 2020 – 2018.

in thousands of Euros	December 31, 2020	December 31, 2019	December 31, 2018
Profit before taxation	3.985	5.089	1.337
Depreciation and amortization	939	824	539
Other non-monetary changes	337	736	780
Operating Cash Flow	5.261	6.649	2.656
Change in inventories	245	(773)	(1.172)
Change in trade receivables	(2.854)	(341)	(981)
Change in activities for work in progress on order and advances on work in progress	(903)	(2.912)	1.305
Change in trade payables	43	352	397
Change in other assets and liabilities	(389)	(1.421)	(2.654)
Change in Working Capital	(3.856)	(5.095)	(3.105)
(Investments) net in tangible fixed assets	(671)	(471)	(1.181)
Rights of use (*)	(93)		(1.928)
(Investments) net intangible assets	(166)	(538)	(91)
(Investments) net in other fixed assets	(0)	(50)	0
Net change in other non-current liabilities	(87)	(121)	(121)
Total non-current assets/liabilities	(1.017)	(1.181)	(3.321)
FREE CASH FLOW	388	373	(3.770)
Initial net financial debt	(1.656)	(2.029)	1.741
Cash flow of the period	388	373	(3.770)
Final net financial debt	(1.268)	(1.656)	(2.029)

<sup>(\*)</sup> 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 financial year 2020, operating activities generated less liquidity than the year closed at December 31, 2019 for Euro 1,388 thousand, mainly due to the decrease in EBITDA (Euro 5,010 thousand at December 31, 2020 vs 6,142 thousand at December 31, 2019), partially offset by a lower cash flow absorbed by working capital of Euro 1,239 thousand (cash absorption of Euro 3,856 thousand at December 31, 2020 vs Eur or 5,095 thousand as of December 31, 2019).

During the year closed at December 31, 2020, net investment asset and the net change in other non-current liabilities absorbed liquidity for Euro 1,017 thousand, substantially in line with the year ended December 31, 2019, year in which net investment assets and the net change in other non-current liabilities absorbed liquidity for Euro 1,181 thousand.

At December 31, 2020, the Company therefore generated a free-cash flow of Euro 388 thousand, higher than the previous year for Euro 14 thousand.

# Alternative Performance Indicators AIPs – Non Gaap Mesurements

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

Main economic indicators of the Company referring to the last three Exercises are reported below:

in thousands of Euros, ratios and percentages	December 31, 2020	December 31, 2019	December 31, 2018	Changes 2		Variations 201	
EBIT (1)	4.038	5.264	1.473	(1.226)	(30%)	3.791	257%
EBIT margin (1)	21,1%	30,6%	14,0%	(9,5%)		16,7%	
EBITDA (2)	5.010	6.142	2.243	(1.132)	(23%)	3.899	174%
EBITDA margin (2)	26,2%	35,8%	21,3%	(9,6%)		14,5%	
EBITDA Adjusted (3)	6.815	8.249	3.898	(1.434)	(21%)	4.351	112%
EBITDA margin Adjusted (3)	35,6%	48,0%	48,0%	(12,4%)		0,0%	
ROE (4)	43,9%	50,6%	30,1%	(6,6%)		20,5%	
ROI (5)	27,5%	57,2%	25,3%	(29,7%)		31,9%	
ROS (6)	21,1%	30,6%	14,0%	(9,5%)		16,7%	

- (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 reference year.
- (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 before income tax, financial income and expense, depreciation, write-downs and net write-downs of financial assets. EBITDA margin is an index that measures the Operating Profitability of the Company as a percentage of the total revenue achieved in the reference year and is defined as the ratio between EBITDA and total revenue.
- (3) EBITDA Adjusted is calculated as profit or loss for the year 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 at 31 December 2019, the Company recorded a loss on receivables relating to the position opened with the customer Piaggio Aero Industries S.p.A. following the opening of the extraordinary administration procedure of the latter; the Company incurred costs for product development activities of Euro 1,805 thousand, Euro 1,542 thousand and Euro 1,288 thousand respectively during the 2020, 2019 and 2018 financial years; at 31 December 2019 and 31 December 2018, the Company set aside a Fund for future losses committed due to the estimate made of the non-cost of two existing contracts, these higher costs being attributable to product development investment; other non-recurring items identified by the Company at December 31, 2019 and 2018 amounting to Euro 26 thousand and Euro 30 thousand respectively.
- (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 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 (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.

Main alternative performance indicators related to the balance sheet figures for year-end closing at 31 December 2020, 2019, 2018, are reported below:

in thousands of Euros, ratios and percentages	December 31, 2020	December 31, 2019	December 31, 2018	Changes 2020 vs 2019		Variations 2019 vs 2018	
Net Financial Debt (1)	1.268	1.656	2.029	(388)	(31%)	(373)	(18%)
Net Financial Debt / Equity	0,09	0,22	0,53	(0,1)		(0,3)	
Net Financial Debt / EBITDA	(0,25)	(0,27)	(0,90)	0,0		0,6	
Average days of collection of trade receivables (2)	125	79	131	45,7		(51,8)	

Trade receivables turnover index (3)	2,9	4,6	2,8	(1,7)		1,8	
Average days of payment of trade payables (4)	76,3	96,0	104,7	(19,7)		(8,8)	
Trade Payables Turnover Index (5)	4,8	3,8	3,5	1,0	21%	0,3	9%
Stock Rotation Index (6)	6,5	5,3	4,2	1,2	19%	1,1	26%
Net fixed assets (7)	7.266	4.488	4.960	2.778	38%	(472)	(10%)
Net commercial working capital (7)	8.152	4.787	1.547	3.365	41%	3.240	209%
Net working capital - CCN (7)	7.419	4.711	864	2.708	36%	3.847	445%
Net invested capital - CIN (7)	14.685	9.199	5.824	5.486	37%	3.375	58%

- (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) sales 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) sales 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 related to tangible fixed assets for 2020, amounting to Euro 676 thousand, are mainly referred to purchase of machineries for production activity and instrumentation for production area enlargement.

Investments related to tangible fixed assets in 2019, amounting to Euro 478 thousand, are mainly referred to purchase of machineries for production activity, workbenches and instrumentation for production area enlargement, in order to increase the company's production capacity.

Investments relating to tangible fixed assets in 2018, amounting to Euro 1,187 thousand, mainly concerned the purchase of machinery for the calibration of units (Motion Simulator), workbenches and instrumentation for the expansion of the production area.

These investments had the objective of increasing the production capacity of the company.

# Activity of research and development.

In 2020, 2019 and 2018, the Company continued its intense research and development activities. All costs incurred have been addressed and expensed respectively in each financial year.

The research and development activity in 2020 focused on four projects for which information on the type and costs is provided below. The costs were determined in accordance with 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 matching various requirements.

The results achieved with the present project can be the basis for sensors suitable with avionics and space applications (advantages for the entire 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) allowed to successfully define new architectures and solutions aimed to significantly evolve 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 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 regard 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.

The research and development activity in 2019 focused on four specific projects for which information on the type and costs is briefly provided below. The costs were determined in accordance with the Decree of the Ministry of Economy n.76 of 28/3/2008.

# Project 1 - FOG-PIC

The project called FOG-PIC (Fiber Optic Gyroscope Photonic Integrated Circuit), 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, based on FOG technology for applications in advanced sectors of aerospace and avionics. These devices are integrated into IMU (Inertial Measurament Unit) and INS (Inertial Navigation Systems) used for stabilization and inertial navigation.

# Project 2 - MEMS PLATFORM DEVELOPMENT

Based on the knowledge gained in the previous period in relation to the "Ultra compact Ahrs based on MEMS gyro" project, in 2019 the company began to explore in depth, and with innovative visions and solutions, MEMS (Micro Electro-Mechanical Systems) technology, gyroscopes and accelerometers, in order to create an innovative product based solely on this technology. This new approach to the development of navigation systems, and more generally measurement systems, proves to be an enabler for different technological platforms that have different requirements than what can be met with navigation systems based on FOG technology (Fiber Optic Gyroscopes).

# Project 3 - RESEARCH, CONCEPTION AND DEVELOPMENT OF INNOVATIVE ALGORITHMS

In 2019 the company began various research and development activities associated with the exploration, conception and development of new algorithms and the significant improvement of those already in use in the various inertial systems conceived and designed by the company. In the past years, the goal of generating technological platforms common to the various products was more driven by the search for HW-type architectural modules, that is, consisting of mechanical and electronic assemblies. In 2019 the research activities were directed to the study and development of innovative aspects and algorithmic solutions, SW and calibrations. This research activity is partly a continuation of the projects mentioned in the financial statements of previous years "CALIBRATION & TECH SCOUTING".

The knowledge acquired in the previous year and related to the project "Inertial technology for airborne, space, naval and land" was also followed, with a particular focus on the space application among those previously investigated, developing the phase following that of experimental research or prototype construction, with the research, purchase and use of high performance components.

During the 2018 financial year, the company developed the following projects for which information on the type and costs are briefly provided. The costs were determined in accordance with the Decree of the Ministry of Economy n.76 of 28/3/2008.

# Project 1 - CALIBRATION & TECHNOLOGY SCOUTING

Transversal research activities on products and technologies used by Civitanavi Systems continue, through the technological scouting of optical, electronic, fiber optic components as well as the development of increasingly sophisticated calibration techniques, aimed at maintaining the competitive level of Civitanavi Systems products in terms of quality, performance and price. In particular, in 2018 2 technologies were implemented to produce previously purchased opto-electronic components at home

# Project 2 – INNOVATION IN DRILLING

The O&G sector represented a significant turnover for Civitanavi in the first two years of activity. In the following years it suffered a sharp decrease due to the crisis in the oil sector. However, we know the cyclical nature of the market, which in 2018 gave strong signs of recovery. For this reason, research activities on innovative products in this area continue. The Mining sector has been predominant in the company's turnover to date. The innovation activity in this area has a strategic role in the company roadmap, since it aims to create innovative types of inertial systems to cover further portions of the market. Specific technologies and products have also been developed for high-performance "drilling" applications.

# Project 3 - INERTIAL TECHNOLOGY FOR AIRBONE, SPACE, NAVAL AND LAND

The development linked to the company's strategic decision to become a leader among the manufacturers of inertial navigation systems in the most critical sector existing for fiber optic gyroscopic sensors continues, but also with greater possibilities of economic return, namely the civil and military avionics sector, while not neglecting others sectors, such as naval and land. In 2018 in particular, they continued with greater use of resources, activities in the space sector, considered a strategic sector and in strong growth.

# Project 4 – ULTRA COMPACT AHRS BASED ON MEMS GYRO

In addition to the products with FOG technology, we wanted to develop a product based on integrated MEMS technology, both for the gyroscopic and accelerometric part, to be used in various application fields both in the industrial and defense market to further expand the range of inertial products. This initiative further extends the scalability of downward performance, already started with the "Compact IMU Tactical Grade" (Project RD506 year 2017) to offer ultra-compact and low-cost solutions, when the required performance is lower.

# Project 5 – H2020 NICENAV

In the first quarter of 2018, the activity linked to the NICENAV (Navigation-grade ITAR-free Certifiable Equipment for the Navigation of Air Vehicle, based on FOG technology) project was completed, consisting in the development of a sophisticated inertial navigation equipment based on FOG (Fiber Optic Gyroscope) technology, free from export constraints due to ITAR (International Traffic in Arms Regulations) technology and certified for airworthiness in civil aviation thanks to the ETSO (European Technical Standard Order) authorization, which will constitute a completely Italian and competitive solution in a vast and strategic market such as that of Aerospace Inertial Navigation, for installation on board of both piloted and autonomous aircraft (manned and unmanned).

# **Evolution foreseeable of management**

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 proceed smoothly and based on currently available evidence, it has been assumed 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 signed 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 Defence sector.

# **Main Risks and Uncertainties**

For more details, please refer to the "Financial risk management" section of the Notes.

# Relations with Subsidiaries, Associates, parent companies

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

It is specified that during 2020 the entire capital of a United Kingdom company called "Civitanavi UK Ltd" at the time inactive was subscribed and not paid. No transaction took place with the same. The stake has a value of 1 pound.

The company is subject to the direction and coordination of the Swiss company "Civitanavi Systems Ltd" by virtue of the control pursuant to Article 2359 of the C.C. realized through the possession of the entire shareholding in the share capital. No patrimonial and economic relationship with the parent company during the three-year period.

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

The Chairman of the Board of Directors

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# Three-year financial statements at 31 December 2020, 2019 and 2018

# THREE-YEAR FINANCIAL STATEMENTS AT 31 DECEMBER 2020,2019 AND 2018

**Statement of financial position** 

	ar position						
(Euro)	Note	December 31, 2020	December 31, 2019	December 31, 2018	1 January 2018		
Asset							
Non-current assets							
Intangible assets	6.1	289.798	389.499	88.913	90.020		
Right of use assets	6.2	1.882.498	1.936.368	2.069.949	240.265		
Tangible assets	6.3	2.170.874	2.005.879	1.973.615	1.151.826		
Investments in subsidiaries and other non current assets	6.4	50.282	50.282	282	282		
Deferred tax assets	6.5	3.791.685	904.373	1.470.804	868.505		
Total non-current assets		8.185.136	5.286.402	5.603.564	2.350.898		
Current assets							
Inventories	6.6	2.950.863	3.266.270	2.523.451	1.350.985		
Trade receivables	6.7	6.527.072	3.706.091	3.769.070	3.017.975		
Activities for work in progress on order	6.8	12.410.848	8.542.323	4.413.485	3.174.409		
Other receivables and current assets	6.9	1.411.740	1.418.642	866.894	815.156		
Cash and cash equivalents	6.10	5.596.905	5.691.922	6.058.486	3.429.405		
Total current assets		28.897.428	22.625.248	17.631.386	11.787.930		
TOTAL ASSETS		37.082.564	27.911.649	23.234.950	14.138.828		

(Euro)	Note	December 31, 2020	December 31, 2019	December 31, 2018	1 January 2018
Share Capital		500.000	500.000	500.000	500.000
Reserves		7.025.703	3.229.746	2.153.864	2.174.557
Net profit		5.891.315	3.813.707	1.141.047	-
Total equity	6.11	13.417.018	7.543.452	3.794.911	2.674.557
Non-current liabilities					
Non-current financial liabilities	6.12	1.155.350	753.712	4.864.319	1.040.884
Non current lease liabilities	6.2	1.828.137	1.863.605	1.973.557	214.881
Deferred tax liabilities	6.5	13.577	12.816	3.912	16.925
Provision for employee benefit obligations	6.13	655.934	462.207	287.203	232.196
Provisions for risks	6.14	249.926	323.789	352.841	20.000
Total non-current liabilities		3.902.925	3.416.129	7.481.832	1.524.886
Current liabilities					
Current financial liabilities	6.12	3.742.501	4.620.175	1.152.242	407.225
Current lease liabilities	6.2	138.572	109.952	97.360	25.384
Trade payables	6.15	1.967.692	1.924.219	1.572.211	1.175.481
Advance payments on WIP assets	6.8	11.769.412	8.803.528	7.586.402	5.041.844

Current tax payables	6.16	768.273	100.509	86.964	1.270.870
Other payables	6.17	1.376.172	1.393.685	1.463.029	2.018.582
Total current liabilities		19.762.621	16.952.069	11.958.207	9.939.386
TOTAL EQUITY AND LIABILITIES		37.082.564	27.911.649	23.234.950	14.138.829

# **Income statement**

(Euro)	Note	December 31, 2020	December 31, 2019	December 31, 2018
Operating revenue	7.1	18.288.036	16.308.791	9.751.697
Other revenue	7.2	847.403	868.355	786.661
Total Revenue		19.135.439	17.177.146	10.538.358
Raw material costs and inventory changes	7.3	6.549.214	4.761.968	3.691.452
Personnel costs	7.4	4.254.554	3.237.576	2.721.584
Costs for services	7.5	2.866.879	2.556.565	1.787.506
Other operating costs	7.6	454.746	479.333	95.298
Operating profit		5.010.046	6.141.704	2.242.518
write-downs of financial assets	7.7	33.070	53.799	230.117
Depreciation and amortization and write-downs	7.8	939.469	824.036	539.151
EBIT		4.037.507	5.263.869	1.473.249
Financial income	7.9	140.597	20.918	5.709
Financial expense	7.9	(192.838)	(195.629)	(142.033)
Profit before taxation		3.985.266	5.089.158	1.336.925
Income taxes	7.10	1.906.049	(1.275.451)	(195.878)
Net profit		5.891.315	3.813.707	1.141.047

# Statement of comprehensive income

(Euro)	Note	December 31, 2020	December 31, 2019	December 31, 2018
Net profit		5.891.315	3.813.707	1.141.047
Other total profits/(losses) that will subsequently be reclassified into profit/(loss) for the year:		0	0	0
Profit/(loss) on the effective part of the hedging instruments (cash flow hedge)	6.11	(36.339)	(50.360)	13.327
Total other components of the income statement		(36.339)	(50.360)	13.327
Other components of the comprehensive income statement that will not be reclassified in the income statement in subsequent years		0	0	0
Actuarial gains (losses) for defined benefit employee obligations	6.13	3.171	(14.806)	(34.020)
Total other components of the income statement		3.171	(14.806)	(34.020)
Overall net profit		5.858.148	3.748.541	1.120.354

Statement of changes in equity

Statement of changes in equit	y										
			Reserves								
(Euro)	Share Capital	Share premium reserve	Legal reserve	Extraordinary reserve	Derivative negative reserve	First-time adoption reserve EU-IFRS	Actuarial gains and losses reserve	Other reserves	Retained earnings	Net profit	Total Net Equity
1 January , 2018	500.000	0	100.000	4.204.779		(32.454)		2.960	(2.100.728)		2.674.557
Net profit										1.141.047	1.141.047
Other comprehensive income					(34.020)		13.327				(20.693)
Overall net profit		0	0	0	(34.020)	0	13.327	0	0	1.141.047	1.120.354
Allocation of net profit for the previous year											0
Other movements											0
Dividends paid											0
31 December 2018	500.000	0	100.000	4.204.779	(34.020)	(32.454)	13.327	2.960	(2.100.728)	1.141.047	3.794.911
1 January 2019	500.000	0	100.000	4.204.779	(34.020)	(32.454)	13.327	2.960	(2.100.728)	1.141.047	3.794.911
Net profit										3.813.707	3.813.707
Other comprehensive income					(14.806)		(50.360)				(65.166)
Overall net profit		0	0	0	(14.806)	0	(50.360)	0	0	3.813.707	3.748.541
Allocation of net profit for the previous year				2.530.228				(2.603)	(1.386.578)	(1.141.047)	0
Other movements											0
Dividends paid											0
31 December 2019	500.000	0	100.000	6.735.007	(48.826)	(32.454)	(37.033)	357	(3.487.306)	3.813.707	7.543.452
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
Other comprehensive income	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 paid	0	0	0	0	0	0	0	0	0	0	0
31 December 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

# Cash flow statement

(Euros)	Note	December 31, 2020	December 31, 2019	December 31, 2018
Profit before taxation		3.985.266	5.089.158	1.336.925
- Adjustments for:				
Armotization, deprececiation and write-downs	7.7 7.8	939.469	824.036	539.151
Gain and losses from disposal of assets	7.2 - 7.6	4.548	4.165	(9.647)
Financial expenses / (income)	7.9	52.241	174.711	136.324
Income and expenses from equity investments		0	0	0
Other non-cash expenses		279.955	557.063	653.395
Cash flow generated / (absorbed) from operating asset before operating working capital		5.261.479	6.649.133	2.656.148
Change in inventories	6.6	245.407	(772.819)	(1.172.466)
Change in accounts receivables	6.7	(2.854.051)	(341.452)	(981.213)
Change in activities for work in progress on order		(902.642)	(2.911.712)	1.305.483
Change in trade payables	6.15	43.473	352.008	396.730
Change in other assets and liabilities	6.9 - 6.17	246.867	(617.134)	(1.797.732)
Cash flow generated / (absorbed)from operating asset		2.040.533	2.358.023	406.950
Use of provisions for risks and charges and provisions for employee benefits obligations	6.13 - 6.14	(80.573)	(113.486)	(51.263)
Taxes paid	7.10	(554.797)	(690.529)	(804.655)
Net cash flow generated / (absorbed) from operating asset (A)		1.405.163	1.554.008	(448.968)
Investments/(Disposals) in tangible assets	6.3	(671.495)	(471.472)	(1.180.784)
Investments/(Disposals) in intangible assets	6.1	(165.719)	(537.833)	(91.169)
Opening of financial receivables from subsidiaries and other financial assets		0	0	0
Repayments of financial receivables to subsidiaries		0	0	0
Investments in equity investments and securities	6.4	(1)	(50.000)	0
Dividends from equity investments		0	0	0
Net cash flow generated / (absorbed) by investment asset (B)		(837.215)	(1.059.305)	(1.271.953)
Change in long term debt	6.12	(429.603)	(754.186)	3.726.459
Change in short-term debt	6.12	(23.516)	111.512	816.992
Change in lease liabilities	6.2	(123.243)	(97.360)	(72.240)
Financial expenses	7.9	(113.676)	(142.152)	(126.919)
Financial income	7.9	27.073	20.918	5.709
Other financial assets		0	0	0
Net cash flow generated/(absorbed) from financing asset(C)		(662.965)	(861.268)	4.350.002
Net increase/ (decrease) in cash and equivalents (A)+(B)+(C)		(95.017)	(366.565)	2.629.081
-				
Cash and cash equivalents beginning of period		5.691.922	6.058.486	3.429.405
Net increase/ (decrease) in cash and cash equivalents		(95.017)	(366.564)	2.629.082
Cash and cash equivalents at the end of period		5.596.905	5.691.922	6.058.486

# FINANCIAL STATEMENTS AT 31 DECEMBER 2020

#### **NOTES**

# 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 Italy legislation. Civitanavi is controlled by Civitanavi Systems Ltd, which directly owns the 100% of the share capital and executes the activity of direction and coordination on the company.

The company operates in the design, development and production of inertial navigation and stabilization systems used in the industrial (mining, oil & gas), 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 it is availed of faculty expected from Decree Legislative 28 February 2005, n. 38, as 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* and adopted by the European Union ( "International Accounting Standards") for the preparation of its three-year financial statements for the years ended 31 December 2020, 2019 and 2018.

It should be noted that this three-year financial statements for the years ended 31 December 2020, 2019 and 2018 (hereinafter the "Three Financial Statements") has been drafted from company on a voluntary basis in accordance with Accounting International Standards (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 including it in the offer Prospectus because, previously, the Company prepared its own financial statements in accordance with the legislation applicable in Italy and the accounting standards issued.

A transition process from those accounting standards to EU-IFRS was therefore necessary in accordance with IFRS 1 – First time Adoption of *International Financial Reporting Standards*; for this purpose, it has been identified as the date of transition to EU-IFRS on 1 January 2018 ("**Transition Date**"). The information relating to the process of transition request from IFRS 1 is Following in the note 15 "First application of EU-IFRS".

It should be noted that the Shareholders' Meeting of the Company approved the financial statements for the year ended 31 December 2020 on 8 September 2021, the financial statements for the year ended 31 December 2019 on 8 June 2020 and the financial statements for the year ended 31 December 2018 on 28 May 2019; the 2020 financial statements have been audited by company of revision BDO Italy S.p.A., which issued its report on 7 September 2021, the 2019 and 2018 financial statements were audited by a single auditor who issued his reports on 27 May 2020 and 10 April 2019 respectively.

Below are the main accounting policies and principles applied for drawing up Three-Years Financial statements.

# 2.2 Declaration of compliance with international accounting standards

The three years financial statement drafted in conformity to the Principles Accounting International Approved from European Commission and in force on 31 December 2020. EU-IFRS means all "International Financial Reporting Standards", all the "International Accounting Standards" (IAS) and all the Interpretations of the "International Financial Reporting Interpretations Committee" (IFRIC), previously named as "Standing Interpretations Committee" (SIC).

# 2.3 Principles for the preparation of the Three-Year Financial Statement

The Three-Year Financial Statements 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 illustrative note and it is accompanied by the relation of the Board of Directors on the performance of management.

The Company has chosen to represent the income statement by nature of expenses, while the assets and liabilities of the financial position are split in current and non-current. Cash flows statement has been drawn up in accordance with the indirect method. The schemes used are those that best represent the economic, patrimonial and financial situation 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 dataat 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 Three-Year Financial Statements has been prepared in Euro, the Company's functional currency. Financial statement notes and illustrative tables are expressed in Euros, unless otherwise indicated.

The Three-Year Financial Statements has been prepared:

- 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 criteria 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 are presented below:

#### 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 the outside savvies the purchase price and any cost 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 twoseveral 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.

The life useful Estimated from company for the various categories of intangible assets is of retinue following:

Category of intangible asset	Rate of amortization
Computer software licenses	33,33%

The following main intangible assets are identifiable within the company:

# (a) Activity intangible 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 "impairment of goodwill, tangible and intangible assetsand of the activities for right of use".

# Right of use assets

In accordance with IFRS 16, one contract it is or contains one *lease* herself in change of one equivalent Givesthe right to control the use of a specified activity 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 separate 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* is determined as the period not to be cancelled the *lease*, adding 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 mt 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 lease liability at the actual value of payments due for the lease not paid on that date. Payments due for the lease include the following amounts:

- a) fixed payments, net of Any incentives to *lease* of receive;
- b) variables payments due for the *lease* that depend on an index or a rate evaluated initially using an index or a rate on the effective date of the contract;
- c) Amounts that it is expected the lessee will have to pay as title of guarantees of the residual value;
- d) the price of exercise of the of purchase herself the lessee has the reasonable certainty of exercisethe option;
- e) payments of penalty for the termination of the *lease*, if the duration of the *lease* considers 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 assets 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 incomes 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 dardgand 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 material assets	Rate of amortization
Electronic office machines	20%
Furnishings	15%
Air conditioning system	15%
Alarm system	30%
Electrical	10%
Industrial equipment and miscellaneous	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.

# Value decrease in intangible and tangible assets and 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 discontinuitiestechnological, 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 valueit 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 analysed 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.

# Financial assets measured at amortised cost

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

- the financial asset is held according to a business model the objective of which is achieved by the collection of contractually forecast cash flows ("Hold to Collect" business model); and
- the contractual terms of the financial asset provide, at certain dates, cash flows represented only by payments of the principal and interest on the principal amount to be returned (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.

# 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;
- it is not probable that the future covered operation will be performed.

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 payable

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 benefit 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 contractual obligation 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 agreement 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 the 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.

#### Income taxes expense

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

IFRS accounting standards, amendments and interpretations applied from 1 January 2020

The following IFRS accounting standards, amendments and interpretations were first applied by the Company as of January 1, 2020:

• On October 31, 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced a change in the definition of "material" contained in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of 'relevant' more specific and to introduce the concept of 'obscured information' alongside the concepts of omitted or incorrect information already present in the two principles being amended. The amendment clarifies that information is 'obscured' if it has been described in such a way as to produce for the primary readers of a financial statement an effect similar to what would have been produced if that information had been omitted or incorrect.

The adoption of this amendment had no effect on the budget.

- On March 29, 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". This amendment is effective for periods starting on or after 1 January 2020, but early application is allowed. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in developing accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders understand and interpret the Standards.
- On 26 September 2019, the IASB published the amendment entitled "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". The same amends IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement as well as IFRS 7 Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements for the application of hedge accounting, providing for temporary derogations from them, in order to mitigate the impact arising from the uncertainty of the IBOR reform (still ongoing) on future cash flows in the period prior to its completion. This amendment also requires companies to provide additional information on their coverage relationships on their financial statements, which are directly affected by the uncertainties generated by the reform and to which they apply the above derogations. The adoption of this amendment had no effect on the financial statement.
- On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications regarding the definition of a business for the purpose of the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify in business in the presence of an integrated set of activities/processes and goods. However, to meet the definition of business, an integrated set of activities/processes and assets must include, as a minimum, an input and a substantial process that together contribute significantly to the ability to create an output. To this end, the IASB replaced the term "ability to create output" with "ability to contribute to the creation of output" to make it clear that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also introduced an optional concentration test, which allows the presence of a business to be excluded if the price paid is substantially referable to a single activity or group of activities. The changes apply to all business combinations and asset acquisitions after January 1, 2020, but early application is allowed.

The adoption of this amendment had no effect on the budget.

• On 28 May 2020, the IASB published an amendment called "Covid-19 Related loan concessions (Amendment to IFRS 16)". The document provides for the right for tenants to account for rent reductions related to Covid-19 without having to assess, through the analysis of contracts, whether the definition of lease modification of IFRS 16 is respected. Therefore, tenants who apply this option will be able to account for the effects of the reductions in

rents directly in the income statement on the effective date of the reduction. This amendment applies to financial statements beginning on 1 June 2020 but the Company took the chance of applying this change in advance, on 1 January 2020.

Accounting standards, amendments and interpretations IFRS and IFRIC approved by the European Union, not yet mandatorily applicable and not adopted in advance by the Company at 31 December 2020

- On August 27, 2020, the IASB published, in light of the interbank interest rate reform such as IBOR, the Interest Rate Benchmark Reform—Phase 2 document 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.

All changes will take effect on 1 January 2021.

The Board of Directors does not expect a significant effect in the financial statements from the adoption of this amendment.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

At the document date, the competent parties of the European Union have not yet completed the approval process necessary for the adoption of the amendments and principles described below.

 On January 23, 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify debts and other liabilities in the short or long term. The amendments enter into force on 1 January 2023; however, an early application is allowed.

The Board of Directors does not expect a significant effect in the financial statements from the adoption of this amendment.

- On 14 May 2020, the IASB published the following amendments:
  - Amendments to IFRS 3 Business Combinations: The amendments are intended to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without these entailing changes to the provisions of IFRS 3.
  - Amendments to IAS 16 Property, Plant and Equipment: the amendments are intended not to allow to deduct from the cost of material activities the amount received from the sale of goods produced in the testing phase of the activity itself. These sales revenue and related costs will therefore be recognised in the income statement.
  - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in the estimate of the possible onerousness of a contract all costs directly attributable to the contract must be considered. Consequently, the assessment of the possible onerous nature of a contract includes not only incremental costs (such as, for example, the cost of the direct material used in the processing), but also all the costs that the company cannot avoid because it has entered the contract (such as, for example, the share of the personnel cost and the depreciation of the machinery used for the fulfilment of the contract).
  - Annual Improvements 2018-2020: First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and Illustrative Examples of IFRS 16 Leases.

All changes will take effect on 1 January 2022.

The Board of Directors a significant effect in the budget is not expected from the adoption of these amendments.

# 4. Estimates and assumptions

The preparation of financial statements requires from the Board of Directors the application of principles and accounting methodologies that, in certain circumstances, are established on assessments and difficult and subjective estimates ,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 statement of account overall economic statement, the cash flow statement, as well as the information provided. The final results of the income statement for which the above estimates and assumptions have been used, may differ, also significantly, from those included in the financial statements recording the effects of the

occurrence of estimation, because of the uncertainty surrounding the assumptions and the conditions on which the estimates are based.

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

- a) <u>Impairment of tangible and intangible assets with a defined useful life:</u> 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) <u>Credit write-down fund</u>: the determination of this fund reflects the estimates of the *management* related to historical and expected solvency of Customers.
- c) <u>Provisions for risks and charges</u>: 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) <u>Useful life of tangible and intangible assets</u>: 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) <u>Deffered tax asset</u>: 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) <u>Inventories</u>: 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 value. 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) <u>Lease liabilities</u>: 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 risks

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: December 31, 2020

In thousands of Euros	Contractual notional	Notional to The Reference Date	Rate	Fixed rate	Expiration	Fair value al 31 dicembre2020	
UNICREDIT IRS	(5.000)	(3.333)	Euribor 3M	2%	20/12/2024		(60)
Total	(5.000)	(3.333)					(60)

# December 31, 2019

In thousands of Euros	Contractual notional	Notional to The Reference Date	Rate	Fixed rate	Expiration	Fair value al 31 dicembre2019
UNICREDIT IRS	(5.000)	(4.167)	Euribor 3M	2%	20/12/2024	(64)
INTESA SAN PAOLO Interest rate swap	(370)	(57)	Euribor 1M	0,32%	06/08/2020	(0)
Total	(5.370)	(4.224)				(64)

December 31, 2018

In thousands of Euros	Contractual notional	Notional to The Reference Date	Rate	Fixed rate	Expiration	Fair value al 31 dicembre2018
UNICREDIT IRS	(5.000)	(5.000)	Euribor 3M	2%	20/12/2024	(45)
INTESA SAN PAOLO Interest rate swap	(370)	(141)	Euribor 1M	0,32%	06/08/2020	(1)
Total	(5.370)	(5.141)				(46)

# 6. Notes to Statement of financial position

# 6.1 Intangible assets

Composition and movements of the intangible assets for the fiscal years closed at 31 December 2020, 2019 and 2018.

(Euro)	Development costs	Concessions, licenses, trademarks and similar rights	Other intangible fixed assets	Total
Historical cost as of 1 January 2018	75.000	186.298	41.237	302.535
Investments	-	91.169	-	91.169
Reclassification	-	-	-	-
Decreases for disposals and disposals (Of the balance sheet value)	-	-	(35.777)	(35.777)
Historical cost at 31 December 2018	75.000	277.467	5.460	357.927
Investments	-	537.833	-	537.833
Reclassification	-	-	-	-
Decreases for disposals and disposals (Of the balance sheet value)	-	-	-	-
Historical cost at 31 December 2019	75.000	815.300	5.460	895.760
Investments	-	165.719	-	165.719
Reclassification	-	-	-	-
Historical cost at 31 December 2020	75.000	981.019	5.460	1.061.479
Depreciation fund as at 1 January 2018	75.000	123.240	14.276	212.516
Depreciation	-	66.256	692	66.948
Decreases for disposals and disposals	-	-	(10.451)	(10.451)
Depreciation fund at 31 December 2018	75.000	189.496	4.517	269.013
Depreciation	-	236.656	591	237.247
Depreciation fund as at 31 December 2019	75.000	426.152	5.108	506.260
Depreciation		265.067	353	265.420
Depreciation fund as at 31 December 2020	75.000	691.219	5.460	771.679
Net book value as at 1 January 2018	-	63.058	26.961	90.019
Net book value as at 31 December 2018	-	87.971	943	88.914
Net book value as at 31 December 2019	-	389.148	352	389.500
Net book value as at 31 December 2020	-	289.798	_	289.798

Intangible assets at December 31, 2020 are mainly composed by concessions, licenses, trademarks and similar related rights and amount to Euro 290 thousand).

The concessions, licenses, trademarks and similar rights refer to avionics software, management software and generic; most of them are licenses 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 HORIZON 2020, installed on company PCs and amortized to the extent in two years in consideration of the use linked to the duration of the project.

Investments in intangible assets for the years ended December 31, 2020, 2019 and 2018, respectively equal to Euro 166 thousand, Euro 538 thousand and Euro 91 thousand, are mainly attributable to software and applications to support them. On the basis of the provisions of Article 110 of Decree Law 104/2020 (converted with amendment of Law 126/2020), the company has availed itself of the right to obtain recognition for tax purposes of the revaluation of patent rights (Euro 540 thousand) and corporate know-how (Euro 9,460 thousand) which took place in the financial statements at 31 December 2020 approved in accordance with national accounting standards, by payment of the 3% substitute tax. This revaluation was the subject of *derecognition* when EU-IFRS was first adopted, see section 6.5 for more information

During the years under review, there were no indications of possible impairment losses with reference all activity 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)	2020	2019	2018	01.01.2018
Net book value assets by right of use (real estate)	1.876.042	1.936.368	2.069.949	240.265
Net book value assets by right of use (passenger cars)	6.456	-	-	-
Total net book value assets by right of use	1.882.498	1.936.368	2.069.949	240.265
Liabilities for <i>lease</i> current	138.572	109.952	97.360	25.384
Liabilities for lease non-current	1.828.137	1.863.605	1.973.557	214.881
Total liabilities for <i>lease</i>	1.966.709	1.973.557	2.070.917	240.265

The following table shows the main economic and financial information relating to lease by the Company.

(Euro)	2020	2019	2018
Depreciation of assets for right of use (real estate)	140.893	133.581	98.207
Depreciation of assets by right of use (cars)	6.456	-	-
Total depreciation of assets by right of use	147.349	133.581	98.207
Interest expense for lease	40.164	41.072	30.048
Real Estate Lease Fees	156.816	138.432	102.288
Car lease fees	6.591	-	-
Total cash outflows per lease	163.407	138.432	102.288

The activities for right of use relating to real estate at 01 January 2018 refer entirely to the lease of a property located in Ardea (RM); at 31 December 2018 as well as at 31 December 2019, also include the lease of a property used as headquarters located in Pedaso (FM).

The registered activities in the exercise closed to the 31 December 2020 are referable to stipulation a new contract for a guest house located in Porto San Giorgio (FM), a property located in Casoria (NA) and a new contract of rental of a'car.

As at 31 December 2020, 2019, 2018 and 1 January 2018, the Company did not identify any indicators of durable losses of value relatively to activities for right of use.

The following table shows the values of liabilities for *lease* of the Company at 31 December 2020.

	As of December 31, 2020					
(In thousands Euro)	within 1 year b	etween 1 and 2 years	between 3 and 5 years	over 5 years	Book value	Contract value
Lease liabilities	139	143	427	1.258	1.967	1.967

The discount rate was determined based on 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 exercises Closed to 31 December 2020, 2019 and 2018.

(Euro)	Plant and machinery	Industrial and commercial equipments	Other Assets	Manufactured	Ongoing material activities and advances	Total
Historical cost as of 1 January 2018	1.481.107	156.285	137.386	28.109	43.550	1.846.437
Investments	564.102	202.937	149.707	172.968	97.423	1.187.137
Disposals	-	(8.197)	-	-	-	(8.197)
Reclassification	43.550	-	-	-	(43.550)	-
Historical cost at 31 December 2018	2.088.759	351.025	287.093	201.077	97.423	3.025.377
Investments	158.873	164.620	72.368	43.210	39.884	478.955
Disposals	-	(8.590)	(917)	-	-	(9.507)
Reclassification	-	-	-	-	-	-
Transfer of a business unit	-	-	-	-	-	-
Historical cost at 31 December 2019	2.247.632	507.055	358.544	244.287	137.307	3.494.825
Investments	447.587	141.965	67.858	18.650	-	676.060
Disposals	-	(4.935)	-	-	-	(4.935)
Reclassification	137.307	-	-	-	(137.307)	-
Historical cost at 31 December 2020	2.832.526	644.085	426.402	262.937	-	4.165.950
Depreciation fund as at 1 January 2018	582.434	39.501	63.760	8.916	-	694.611
Depreciation	267.647	37.033	34.783	19.532	-	358.995
Disposals	-	(1.844)	-	-	-	(1.844)
Depreciation fund at 31 December 2018	850.081	74.690	98.543	28.448	-	1.051.762
Depreciation	292.215	62.677	51.685	32.631	-	439.208
Disposals	-	(1.932)	(92)	-	-	(2.024)
Cleavage	-	-	-	-	-	-
Transfer of a business unit	-	-	-	-	-	-
Depreciation fund as at 31 December 2019	1.142.296	135.435	150.136	61.079	-	1.488.946
Depreciation	326.201	84.868	60.606	34.825	-	506.501
Disposals	-	(371)	-	-	-	(371)
Reclassification	-	-	-	-	-	-
Depreciation fund as at 31 December 2020	1.468.497	219.932	210.742	95.904	-	1.995.075
Net book value as at 1 January 2018	898.673	116.784	73.626	19.193	43.550	1.151.826
	4.00.000		100 ==0			
Net book value as at 31 December 2018	1.238.678	276.335	188.550	172.629	97.423	1.973.615

Net book value as at 31 December 2020 1.364.029 424.153 215.660 167.032 - 2.170.874

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

Investments in tangible assets for the years ended 31 December 2018, 2019 and 2020, respectively and to Euro 1,187 thousand, Euro 479 thousand and Euro 676 thousand, are mainly attributable, in order of importance, to machinery, industrial equipment and electronic office machines. Investments in buildings consist in improvements on the leased property in Pedaso (FM) fully depreciated as at 31 December 2020.

The net value of the tangible assets written off in the years ended 31 December 2020, 2019 and 2018 was a not relevant amount.

During the years under review, there were no indications of possible impairment losses with reference all material activities.

As of December 31, 2020, 2019, 2018 and January 1, 2018 there are no assets and instrumentals owned 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 at 31 December 2018 refers to stocks of Credito Valtellinese ex Istituto Carifano, originally subscribed at the cost of purchase or subscription and written down for a lasting loss during 2017 having suffered a significant reduction in the list that has had a character of temporal persistence; during 2019 the company also signed 50 Cash Collect Certificates 95% protection of the Unicredit bank expiring on 20 November 2023 for the total amount of €. 50.000.

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 Deferred tax assets

The following table shows the detailed prospectus of deferred and deferred tax assets as at 31 December 2020, 2019 and 2018 and as at 1 January 2018.

(Euro)	2020	2019	2018	As of 1 January 2018
Assumed losses on claims	8.400	8.400	50.400	-
Unrealized exchange gains or losses	176	-	870	-
Deductible cash compensation	-	2.400	7.200	-
Intangible assets	2.873.000	-	-	-
Work in progress assets	808.699	828.602	1.383.040	853.457
Inventories	24.000	7.200	-	-
Derivative financial instruments	14.417	15.419	10.743	-
Provisions for risks and charges	5.535	3.360	3.600	4.800
Provisions for employee benefits obligations	32.665	21.126	6.986	10.249
Assets by right of use	24.792	17.867	7.460	-
Other	-		504	-
Deferred tax activities	3.791.685	904.373	1.470.804	868.505

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 2020, Deferred tax assets amounting to Euro 2,873 thousand were recorded relating 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) of Patents (Euro 540 thousand) and corporate know-how (Euro 9,460 thousand) in the financial statements at December 31, 2020 approved in accordance with national accounting standards and subject to *derecognition* at the time of the first adoption of EU-IFRS.

The amount indicated, supported by a specific appraisal prepared by a leading independent consulting firm, was recorded in the assets to increase in intangible assets in the financial statements at 31 December 2020 approved in accordance with national accounting standards. This revaluation was the subject of *derecognition* at the time of the first adoption of EU-IFRS as it is not detectable by the *IAS-Adopter* as required by the legislation itself.

The Company has availed itself of the right to obtain recognition for tax purposes of the greater value attributed during the revaluation by paying the substitute tax provided for by Italian legislation in the amount of 3%. This benefit will remain with the company despite the reversal of the revaluation at the time of the first adoption of EU-IFRS.

Deferred tax assets include deferred taxation attributable to work in progress on order accounted for in relation to the error correction made to this item in the Company's financial statements at 31 December 2020 approved in accordance with national accounting standards; this adjustment reflects the requirements of international accounting standard IFRS 15.

The following table shows the schedule of deferred tax liabilities at 31 December 2020,2019, 2018 and January 1, 2018.

(Euro)	2020	2019	2018	01.01.2018
Unrealized exchange gains or losses Profits on uneased exchanges	761	-	102	-
Work in progress assets	12.816	12.816	3.809	16.925
Intangible assets	-	-	-	-
Deferred tax liabilities	13.577	12.816	3.912	16.925

The following table shows the composition and movement of the gross value of deferred tax assets for the years ended 31 December 2020, 2019 and 2018.

(Euro)	Assumed losses on claims	Gains and losses on unfulased foreign exchange	Deductible cash compensation	Intangible assets	Work in progress to order	Inventories	Derivative financial instruments	Provisions for risks and charges	Funds for employee benefits	Activities by right of use	Other	Total assets for deferred taxes
Balance as at 1 January 2018	-	-	-	-	853.457	-	-	4.800	10.249	-	-	868.505
Accruali (relversal) at C/E	50.400	870	7.200	-	529.583	-	-	(1.200)	-	7.460	504	594.817
Accrual (reversal) at overall C/E	-	-	-	-	-	-	10.743	-	(3.262)	-	-	7.481
Balance at 31 December 2018	50.400	870	7.200	-	1.383.040	-	10.743	3.600	6.986	7.460	504	1.470.804
Accerual (reversal) at C/E	(42.000)	(870)	(4.800)		(554.438)	7.200	4.676	(240)	-	10.406	(504)	(580.570)
Accrual (reversal) at overall C/E	-	-	-	-	-	-	-	-	14.139	-	-	14.139
Balance at 31 December 2019	8.400	-	2.400	-	828.602	7.200	15.419	3.360	21.126	17.867	-	904.373
Accrual (reversal) at C/E	-	176	(2.400)	2.873.000	(19.903)	16.800		2.175		6.925	-	2.876.773
Accrual (reversal) at overall C/E	-	-	-	-	-	-	(1.001)	-	11.540	-	-	10.538
Balance at 31 December 2020	8.400	176	-	2.873.000	808.699	24.000	14.417	5.535	32.665	24.792	-	3.791.685

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 31 December 2020, 2019 and 2018 and at 1January 2018.

(Euro)	2020	2019	2018	01.01.2018
Finished goods and products	571.857	230.985	365.297	200.716
Raw materials and consumer products	2.031.501	2.287.693	1.854.863	901.914
Semi-finished products	428.589	730.693	301.845	211.704
Advance payments to suppliers for goods	18.916	46.899	1.446	36.651
Gross inventories	3.050.863	3.296.270	2.523.451	1.350.985
Inventories write-down provision	(100.000)	(30.000)	-	-
Inventories	2.950.863	3.266.270	2.523.451	1.350.985

The impairment of inventories amounted to Euro 30 thousand at December 31, 2019 and Euro 100 thousand at December 31, 2020. Provisions amounted to 30 thousand euros at 31 December 2019 and 100 thousand euros at 31 December 2020 net of use during 2020 of Euro 30 thousand. It should also be noted that the company carried out scrapping for an amount of approximately 250 thousand euros and 40 thousand euros respectively during 2020 and 2019.

## 6.7 Trade receivables

Following table reports the prospectus of detail of trade receivables to the 31 December 2020, 2019 and 2018 and January 1, 2018.

(Euro)	2020	2019	2018	01.01.2018
Trade receivables from customers	6.613.941	3.759.890	3.719.070	3.042.284
Trade receivables from subsidiaries	-	-	-	-
Trade receivables from other related parties	-	-	50.000	-
Trade receivables (gross)	6.613.941	3.759.890	4.023.497	3.042.284
Trade receivables write-down provision	(86.869)	(53.799)	(254.426)	(24.309)
Trade receivables	6.527.072	3.706.091	3.769.070	3.017.975

The book value of trade receivables is considered to approximate its fair value in all reporting periods. For related parties trade receivables, please refer to Section 8 of this document.

Following table provides a breakdown of trade receivables to the 31 December 2020, 2019 and 2018grouped by overdue bands, net of the loan write-down fund.

(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 31 December 2020	2.263.191	2.621.664	789.799	205.416	723.871	6.603.941
Invoices to be issued/Credit notes to be issued	10.000	-	-	-	-	10.000
Credit write-down fund	-	-	-	-	-	(86.869)
Trade receivables at 31 December 2020	2.273.191	2.621.664	789.799	205.416	723.871	6.527.072
Gross trade receivables as at 31 December 2019	2.300.638	557.033	124.652	182.360	595.207	3.759.890
Invoices to be issued/Credit notes to be issued	-	-	-	-	-	-
Credit write-down fund	-	-	-	-	-	(53.799)
Trade receivables at 31 December 2019	2.300.638	557.033	124.652	182.360	595.207	3.706.091
Gross trade receivables at 31 December 2018	2.409.940	863.099	181.442	90.200	414.815	3.959.497
Invoices to be issued/Credit notes to be issued	64.000	-	-	-	-	64.000
Credit write-down fund	-	-	-	-	-	(254.426)
Trade receivables at 31 December 2018	2.473.940	863.099	181.442	90.200	414.815	3.769.070

In 2018, the company set aside to bad debt provision an amount of Euro 210 thousand in reference to the credit position of 708 thousand euro towards Piaggio Aero Industries S.p.A.. In 2019, following the opening of the extraordinary administration procedure of the latter, the Company removed the entire receivable net of VAT for a total of Euro 580 thousand, partially using the provision set aside in the previous year and recording a loss on receivables of 350 thousand euros.

It should be noted that the overdues over 365 days amounts to Euro 319 thousand and Euro 60 thousand respectively at December 31, 2020 and December 31, 2018. There are no overdue receivables beyond 365 days to 31 December 2019. It is specified that the credit expired beyond the year to 31 December 2020 refers mainly to the VAT credit towards the Piaggio Aero Industries S.p.A. customer, better argued above and to other customers, the latter receivables are essentially collected at the date of this document.

The following table shows the movement of the trade receivables write-down fund for the years Closed to 31 December 2020, 2019 and 2018.

(Euro)	Trade receivables write-down fund
Balance as at 1 January 2018	24.309
Provisions	230.117
Use	-
Balance at 31 December 2018	254.426
Provisions	53.799
Use	(254.426)
Balance at 31 December 2019	53.799
Provisions	33.070
Use	-
Balance at 31 December 2020	86.869

## 6.8 Activities for Work in progress assets on order

Activities for work in progress on order, equal to Euro 12,410 thousand, Euro 8,542 thousand, Euro 4,413 thousand and Euro 3,174 thousand respectively at December 31, 2020, 2019 and 2018 and January 1, 2018, refer to mainly to the inventories of work in progress of multi-year orders.

Liabilities for advance payments on work in progress, amounting to Euro 11,769 thousand, Euro 8,804 thousand, Euro 7,586 thousand and Euro 5,042 thousand respectively at December 31, 2020, 2019 and 2018 and January 1, 2018, refer to advances received from customers.

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

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

(Euro)	2020	2019	2018	1 January 2018	Delta 2020- 2019	Delta 2019- 2018	Delta 2018- 2017
Activities for work in progress on order	12.410.848	8.542.323	4.413.485	3.174.40	3.868.525	4.128.838	1.239.076
Provisions for future losses	(226.862)	(309.789)	(337.841)	0	(82.927)	(28.052)	337.841
	12.183.986	8.232.534	4.074.644	3.174.40 9	3.785.598	4.100.786	1.576.917

For more information on Work in progress, please refer to section 7.1 of this document.

#### 6.9 Other receivables and current assets

Following table reports the prospectus of detail of other Credits and activity currents to the 31 December 2020, 2019 and 2018 and to 1 January 2018.

(Euro)	2020	2019	2018	As of 1 January 2018
Tax receivables	1.257.352	1.282.242	783.334	751.945
Rebates	78.288	85.488	39.233	21.489
Advances	75.864	34.314	41.572	27.297
Other credits	236	16.598	2.755	14.425
Other current receivables and assets	1.411.740	1.418.642	866.894	815.156

Tax receivables mainly refer to:

- tax credit for research and development costs (equal to Euro 585 thousand at December 31, 2020, Euro 529 thousand at December 31, 2019, Euro 509 thousand at December 31, 2018 and Euro 569 thousand at January 01, 2018);
- VAT credit to the Treasury (equal to Euro 233 thousand at December 31, 2020, Euro 184 thousand at December 31, 2019, Euro 21 thousand at December 31, 2018 and Euro 168 thousand at January 01, 2018;
- credit for contribution Law 808 (equal to Euro 263 thousand at December 31, 2020, Euro 191 thousand at December 31, 2019 and Euro 122 thousand at December 31, 2018);
- credit for Sabatini Contribution (for Euro 81 thousand at December 31, 2020, Euro 58 at December 31, 2019 and Euro 29 thousand at December 31, 2018).

Almost all the income referred to revenue from insurance premiums and revenue from software assistance fees. The item prepayments and advances refer almost entirely to advance payments to service providers.

## 6.10 Cash and cash equivalents

The following table shows the cash and cash equivalents statement as at 31 December 2020, 2019 and 2018 and January 1, 2018.

(Euro)	2020	2019	2018	As of 1 January 2018
Bank and postal deposits	5.593.009	5.684.591	6.057.268	3.427.378
Cash	3.896	7.331	1.218	2.026
Cash and cash equivalents	5.596.905	5.691.922	6.058.486	3.429.405

In the periods in examination the cash are not subject to restrictions.

## 6.11 Equity

The following table shows the statement of shareholders' equity as at 31 December 2020, 2019 and 2018 and as at 1 January 2018.

(Euro)	2020	2019	2018	As of January 1, 2018
Share Capital	500.000	500.000	500.000	500.000
Legal reserve	100.000	100.000	100.000	100.000
Extraordinary reserve	9.122.002	6.735.007	4.204.779	4.204.779
Derivative negative reserve	(45.655)	(48.826)	(34.020)	-
Reservation from first adoption EU-IFRS	(32.454)	(32.454)	(32.454)	(32.454)
Actuarial gains and losses reserve	(73.372)	(37.033)	13.327	-
Other reserves	2.600	357	2.960	2.960
Retained Profit (losses)	(2.047.419)	(3.487.305)	(2.100.728)	(2.100.728)
Net profit	5.891.315	3.813.707	1.141.047	-

Total equity 13.417.018 7.543.452 3.794.911 2.674.557

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

#### Share Capital

At December 31, 2020, the Company's share capital, fully subscribed and paid-in, 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 Balance Sheet of the derivative (IRS) stipulated to hedge the risk of change in the interest rate of the bank bond issued in 2018 with a notional contractual value of Euro 5,000 thousand. For more information, see Note 6.12.

## First time adoption EU-IFRS reserve

The reservation from the first adoption of the EU-IFRS amounts to a negative balance of Euro 32 thousand in the periods under review, and represents the effects of the conversion from accounting standards Italians at EU-IFRS. Please refer to footnote 15 for the information on the first application of the 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. See Note 6.13

#### Other reserves

To the 31 December 2020 mainly include the Reserve for unrealized exchange gains of Euro 2 thousand.

The following table shows the items of equity, with specification of their origin, possibility of use and distribution, and their occurred use in previous ones Exercises.

(Euro)	As of December 31, 2020	Origin / nature	Possibility of use	Available fee
Share Capital	500.000	Capital	В	-
Legal reserve	100.000	Useful	A; B	-
Extraordinary reserve	9.122.002	Useful	A; B; C;D	9.122.002
Reserve profits on unfulased exchange rates	2.422	Useful	A; B	2.422
Actuarial gains and losses reserve	(73.372)	Useful		-
Reserve first adoption EU-IFRS	(32.454)	Capital		-
Reserve for operations to hedge expected cash flows	(45.655)	Capital		-
Retained gains (losses)	(2.047.419)	Useful	A; B; C;D	(2.047.419)
Other reserves	178	Capital	A; B	178
Total	7.525.703			7.077.183

In previous table Are Provided for all voice the possibility of use What of retinueSuitable:

- A: for increase capital;
- B: for cover losses;
- C: for distribution members;
- D: for other statutory constraints;
- And: other.

## 6.12 Non current financial liabilities

The following table reports the prospectus of detail of passivity Financial currents and Not currents to the 31December 2020, 2019 and 2018 and January 1, 2018.

2020	2019	2018	01.01.2018

(Euro)	Current share	Non- current quota	Current share	Non- current quota	Current share	Non- current quota	Current share	Non- current quota
BOND LOAN UNICREDIT (a)	-	-	-	-	-	-	300.000	900.000*
UNICREDIT BOND LOAN 2018 (a)	3.306.307	-	4.124.913	-	817.776	4.122.604	-	
Total bonds	3.306.307	-	4.124.913	-	817.776	4.122.604	300.000	900.000
Loans with credit institutions (b)  Hedging derivative (c)  MISE LOAN (d)	376.123 60.072	377.630 777.720	430.852 64.411	753.712	334.465	693.296 48.419	107.224	140.884
Total financial payables	436.195	1.155.350	495.263	753.712	334.465	741.715	107.224	140.884
Total Financial Liabilities	3.742.501	1.155.350	4.620.175	753.712	1.152.242	4.864.319	407.225	1.040.884
Total current and non-current quota		4.897.851		5.373.887		6.016.560		1.448.108

<sup>(\*)</sup> Early repayment in 2018

Below is a description of the main items that make up the Company's financial liabilities as of December 31, 2020, 2019, 2018 and January 1, 2018.

## a. Bond Loan

#### Bond Loan Unicredit

On December 21, 2018, the company issued an interest-bearing bond maturing December 21, 2024 with an initial nominal value of  $\in$  5,000,000; 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 not to assume further medium-long term financial debt in any form for an amount in capital line individually exceeding Euro 400 thousand per single year, and a total of more than 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. It should be noted that on 27 October 2021 the Company received the waiver from Unicredit, formally remedying the position.

Furthermore, as at 31 December 2020, the Company did not comply with the aforementioned contractual commitment, having contracted new financial debt during the 2020 financial year, called MiSe 2018 Financing (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 obtaining 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.

At 31 December 2019 and 31 December 2020, this liability was therefore reclassified as short-term. The company does not have financing contracts in place that require compliance with financial parameters.

During the 2018 financial year, the Minibond granted by Unicredit for 1.5 million Euros was repaid, following which the 5 million Euro bond was issued.

### b. Funding with credit institutions

2020	2019	2018	01.01.2018

(Euro)	Current share	Non- current quota	Current share	Non- current quota	Current share	Non- current quota	Current share	Non- current quota
Loan Creval Sabatini	101.933	17.199	100.000	119.132	97.913	219.027		
Loan Banca Intesa 2018	147.468	124.438	145.452	271.906	143.494	417.358		
Loan Intesa 120280	126.668	236.007	125.215	362.675				
Loan Banca Adriatico			56.911		83.974	56.911	82.332	140.884
Loan Carifano							14.947	
Total	376.068	377.644	427.579	753.712	325.381	693.296	97.279	140.884
Current financials liability			3.273		9.084		9.945	
Total	376.123	377.630	430.852	753.712	334.465	693.296	107.224	140.884

## b1) Mortgage Creval - 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.

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

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

## b2) Loan Banca Intesa – 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 instalments are repaid in arrears on a monthly basis. This loan is assisted by the Guarantee Fund for small and medium-sized enterprises 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.

#### b3) Unicredit Bond - 2018

On December 20, 2018, the company entered a contract for the subscription of debt securities and the provision of ancillary services with Unicredit for a total amount of  $\in$  5,000,000.

The deadline for the loan is set for December 21, 2024 and the instalments are repaid quarterly. Debt securities bear interest at the nominal floating rate equal to the 3-month Euribor increased by 200 basis points (2%) per year.

## b4) Loan Banca Intesa - Chirografario Sabatini 2019

On November 28, 2019 the company has stipulated with Intesa Sanpaolo Bank a contract for a mortgage for a total amount of  $\in$  500,000. The deadline for the loan is set for October 31, 2023. 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 enterprises 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.

## b5) Loans no longer outstanding at 31 December 2020

The main features of loans no longer outstanding at 31 December 2020:

Mutual Bench Adriatico n. 33186 (2015): undersigned on 06 August 2015, for one value nominal same € 370,000, expiring on 06 August 2020, with monthly deferred payments, the first 6 of which relate exclusively to the payment of interest.

The interest rate shall be determined for each month equal to one twelfth of the sum of the following addenda:

- a fixed nominal annual quota of 2.05 percentage points called the spread;
- a variable share equal to the one-month interest rate (base 360) called EURIBOR applied to unsecured interbank loans, calculated daily as a simple average of the quotations recorded on a sample of banks with high creditworthiness.

## c. Derivative of hedging derivative

The item collects almost the entire "fair value" negative at the closing date of the Financial Statements of the hedging derivative of the risk of change in the interest rate on the bond entered into on 21/12/2018 with a contractual notional amount of Euro 5,000 thousand and maturity 20/12/2024.

At 31 December 2019 and 31 December 2020, 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)	AMOUNT	MARK TO MARKET
2020	3.333.333	60.072
2019	4.166.666	64.245
2018	5.000.000	44.763
2018	370.000	(840)

For the financial years 2018 and 2019 the residual value includes the *fair value* of a "Flexible forward" and "Interest Rate Swap" expired on 30/04/2019 and 06/08/2020 respectively

#### d. MiSe Loan- 2018

On 05 February 2018 the company, within the framework of Law no. 808 of 24.12.1985 concerning "Interventions for the development and increase of competitiveness of industries operating in the aeronautical sector", has requested a total funding of € 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. The reporting of the activities carried out during 2020 will be carried out after the approval of the 2020 financial statements. 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 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 asset, as well as deriving from of elements non-monetary.

(Euro)	As of January 1, 2018	Increase	Change in hedging derivatives	Refunds	Amortised cost	To 31/12/2018
Current and non-current financial liabilities	1.448.108	5.975.000	48.419	(1.390.436)	(64.531)	6.016.560
Total financial liabilities	1.448.108	5.975.000	48.419	(1.390.436)	(64.531)	6.016.560
(Euro)	As of January 1, 2019	Increase	Change in hedging derivatives	Refunds	Amortised cost	To 31/12/2019
Current and non-current financial liabilities	6.016.560	500.000	15.992	(1.171.089)	12.783	5.374.246
Total financial liabilities	6.016.560	500.000	15.992	(1.171.089)	12.783	5.374.246
(Euro)	As of January 1, 2020	Increase	Change in hedging derivatives	Refunds	Amortised cost	As of 31/12/2020
Current and non-current financial liabilities	5.373.887	887.445	(4.339)	(1.262.896)	(96.695)	4.897.402
Total financial liabilities	5.373.887	887.445	(4.339)	(1.262.896)	(96.695)	4.897.402

## 6.13 Employment benefits obligations

The following table shows the composition and movement of provisions for employee benefits for fiscal years closed at 31 December 2020, 2019 and 2018.

(Euro)	End-of-relationship treatment	
Balance as at 1 January 2018	232.195	
Current service cost	90.195	
Financial charges	2.885	
Actuarial losses/(profits)	(17.518)	
Paid benefits	(20.555)	
Balance at 31 December 2018	287.202	
Current service cost	106.954	
Financial charges	4.488	
Actuarial losses/(profits)	66.263	
Paid benefits	(2.700)	
Balance at 31 December 2019	462.207	
Current service cost	146.558	
Financial charges	3.543	
Actuarial losses/(profits)	47.814	
Paid benefits	(4.188)	
Balance at 31 December 2020	655.934	

Employee provisions are the estimate of the obligation, determined based on actuarial techniques, relating to the amount to be paid to employees at the time of termination of employment.

As at 31 December 2020, 2019 and 2018 and at 1 January 2018, the employee benefit obligations funds refers to the severance indemnities (**TFR**) set aside for employees.

## Severance indemnities (TFR)

Employee benefits related to severance pay amounted to Euro 656 thousand, Euro 462 thousand, Euro 287 thousands and Euro 232 thousands respectively at 31 December 2020, 2019 and 2018 and the 1st January 2018.

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 at 31 December 2020, 2019 and 2018 and at 1 December January 2018 in agreement Provisions of the IAS 19.

(4)	To 31 Dece	As of 1		
(As a percentage)	2020	2019	2018	January 2018
Summary of the technical and economic bases				
Annual discount rate	0,34%	0,77%	1,57%	1,30%
Annual rate of inflation	0,80%	1,20%	1,50%	1,50%
Annual rate of increase in severance pay	2,10%	2,40%	2,63%	2,63%
Annual rate of wage increase	0,50%	0,50%	0,50%	0,50%
Death	Mortality tables RG48 published by the General Accounting Office of the State			
Disability	INPS tables dist	tinguished by age	e 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 absolute value) that there would be arised based on variations of hypothesis actuarial reasonably possible to the 31 December 2020.

Sensitivity analysis 2020	31.12.2020
Turnover rate +1.00%	641.717
Turnover rate -1.00%	672.998
Inflation rate +0.25%	677.116
Inflation rate -0.25%	635.697
Discount rate +0.25%	630.216
Discount rate -0.25%	683.286

The table below shows the estimate of the expected payments at 31 December 2020 relating to the TFR.

Years	Planned disbursements (Euro)
2021	42.553
2022	32.632
2023	35.814
2024	40.848
2025	45.624

## 6.14 Provisions for risks

The following table shows the composition and movement of risks and charges provisions for fiscal years closed at 31 December 2020, 2019 and 2018.

(Euro)	2020	2019	2018	As of 1 January 2018
Risk fund for legal disputes	23.064	14.000	15.000	20.000
Fund for future losses committed	226.862	309.789	337.841	0
Funds for risks and charges	249.926	323.789	352.841	20.000

(Euro)	Risk fund for legal disputes	Fund for future losses committed	Total
Fund as at 1 January 2018	20.000	0	20.000
Provisions	15.000	337.841	352.841
Utilisation	(20.000)	-	(20.000)
Fund at 31 December 2018	15.000	337.841	352.841
Provisions	14.000	188.768	202.768
Utilisation	(15.000)	(216.820)	(231.820)
Fund as at 31 December 2019	14.000	309.789	323.789
Provisions	20.200	-	20.200
Utilisation	(11.136)	(82.927)	(94.063)
Fund as at 31 December 2020	23.064	226.862	249.926

The risk fund for future losses committed refers to two orders with negative margin as they represent an investment in terms of product development and technology that the company has evaluated strategic in order to acquire the client and significant future opportunities.

## 6.15 Account payables

The following table shows the commercial payables as at 31 December 2020, 2019, 2018 and 1 December 2018 January 2018.

(Euro)	2020	2019	2018	As of January 1, 2018
Trade payables to suppliers	1.967.692	1.924.219	1.572.211	1.175.481
Trade payables to subsidiaries	-	-	-	-
Trade payables to other related parties	-	-	-	-
Trade payables	1.967.692	1.924.219	1.572.211	1.175.481

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

There are no trade payables to related parties.

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

#### 6.16 Current tax liabilities

Current tax payables amounted to Euro 768 thousand at December 31, 2020, Euro 101 thousand at December 31, 2019, Euro 87 thousand at December 31, 2018 and Euro 1,271 thousand at January 1, 2018.

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 151 thousand in 2020, Euro 85 thousand in 2019 and Euro 114 thousand in 2018; ii) IRES-IRAP debt of Euro 317 thousand in 2020; iii) debt relating to the substitute tax for the revaluation of intangible assets carried out pursuant to Law 127/2020 equal to Euro 300 thousand at December 31, 2020; for more details see Note 6.5.

#### 6.17 Other liabilities

The following table shows the statement of other current payables and liabilities as at 31 December 2020, 2019, 2018 and 1 January 2018.

(Euro)	2020	2019	2018	As of 1 January 2018
Payables to employees	696.612	542.433	343.287	277.783
Debts to pension funds	368.419	263.028	200.201	173.346
Passive rebates	137.302	77.817	80.096	75.136
Payables to sole director	6.373	5.708	18.258	-
Accruals	925	1.156	1.081	3.374
Other	166.540	503.544	820.107	1.488.943
Other current payables and liabilities	1.376.172	1.393.685	1.463.029	2.018.582

Payables to employees mainly refer to payable wages and deferred charges, such as holidays, leaves and additional monthly payments.

Payables to pension funds mainly refer to liabilities to pension institutions and pension for the payment of contributions.

The debts to the staff described above increased during the period under review as a result of the increase in the number of employees from 56 to 93.

Other payables at December 31, 2020, 2019, 2018 and January 1, 2018 include almost all advance payments from customers of Euro 163 thousand, Euro 504 thousand, Euro 820 respectively Thousands and 1,489 thousand euros.

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 Income statement

## 7.1 Operating revenues

In 2020, ordinary revenue amounted to 18,288 thousand euros and consisted of 39 thousand for changes in inventories and 18,249 thousand for contracts with customers, of which 3,868 thousand for changes in inventories of work in progress on order.

In 2019, ordinary revenue amounted to 16,308 thousand euros and consisted of 295 thousand for changes in inventories and 16,014 thousand for contracts with customers, of which 3,940 thousand for changes in inventories of work in progress on order

In 2018, ordinary revenue amounted to 9,751 thousand euros and consisted of 254 thousand for changes in inventories and 9,496 thousand for contracts with customers, of which 901 thousand for changes in inventories of work in progress on order.

The following table shows the statement of operating revenue by geographical area for the exercises Closed to the 31 December 2020, 2019 and 2018.

	Financia	l year ended 31 Decemb	er
(Euro)	2020	2019	2018
Italy*	2.499.078	1.995.466	1.354.569
EU*	7.038.454	4.664.810	1.134.210
Extra UE*	8.711.737	9.353.977	7.008.197
<b>Total contracts</b>	18.249.269	16.014.254	9.496.976
Of which WII in Assets fo progress		3.940.070	901.235
Change in inventories	38.767	294.537	254.721
Total operating revenue	18.288.036	16.308.791	9.751.697

<sup>\*</sup>Figure including the Change in Assets for work in progress on order at 31 December 2020, 2019 and 2018.

The item change in assets for work in progress to order considers the economic counterpart of the provision for risks for future job losses, as shown below

	31 December		
(Euro)	nange in previous year	Provision for risks	Total
Revenue in change Work in progress 2020	3.868.525		3.868.525
Revenue for Change Work in progress assets 2019	4.128.838	(188.768)	3.940.070
Revenue for Change Worki ni progress assets WIP 2018	1.239.076	(337.841)	901.235

Almost all contracts with clients entered 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 consider the effects of the time value of the money.

#### Information on Operating Segments

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

#### 7.2 Other revenue

The following table reports the prospectus of detail of other revenue and proceeds for the Exercises Closed to the 31 December 2020, 2019 and 2018.

(Euro)	Financial year ended 31 December			
(Euro)	2020	2019	2018	
Recoveries and chargebacks	9.429	316	4.738	
Government grants	799.748	768.866	744.499	
Other contributions	24.767	13.337	5.748	
Insurance claims	-	3.000	-	
Capital gains on disposal of assets	135	67.134	11.647	
Other	13.323	15.702	20.028	
Other revenue and income	847.403	868.355	786.661	

The operating grants are referred to a Credits tax on projects of research and to a contribution obtained from CNR for One 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 and finished products for the Exercises closed to 31 December 2020, 2019 and 2018.

(Euro)	Financial year ended 31 December		
(Euro)	2020	2019	2018
Purchases of raw materials, finished products, components and consumables	6.223.023	5.164.798	4.644.401
Changes in inventories of raw materials, subsidiaries, consumption and goods	326.191	(402.830)	(952.949)
Cost per purchase of goods and change in inventories	6.549.214	4.761.968	3.691.452

The item variations of inventories include provisions net to the bottom devaluation inventories for one value null to the 31 December 2018, Euro 30 thousand for the year ended December 31, 2019 and Euro 70 thousand for the exercise closed to the 31 December 2020.

The increase in this cost line, not proportional to the increase in turnover, 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 strategic business choices (for more details see the report on operations "Performance of the Company and analysis of the results of the 2020 and previous financial year"). 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 sales revenues is in line with previous years.

#### 7.4 Personnel costs

The table indicate the detail of costs for the employee for the financial year closed at 31December 2020, 2019 and 2018.

(Farra)	Financial y	Financial year ended 31 December		
(Euro)	2020	2019	2018	
Wages and salaries	3.140.603	2.368.356	2.039.010	
Social security contributions	873.848	691.876	543.100	
Charges for severaty payment	226.094	169.235	135.573	
Other	14.008	8.108	3.900	
Personnel costs	4.254.554	3.237.576	2.721.584	

The increase in personnel costs is mainly attributable to the need to increase the workforce to cope with growth. The increase in 2020 is influenced by the significant hires made in the second half of 2019 and the further entries in the company in the first months of 2020.

The following table shows the average and punctual number of employees of the Company for the years ended 31 December

2020, 2019 and 2018 with indication of the category.

Avanaga mumban	Financial year ended 31 December			
Average number	2020	2019	2018	
Workers	9	2	1	
Employees	74	63	45	
Executives	1	1	2	
Total employees	84	66	48	

Punctual number	Financial year ended 31 December			
r unctual number	2020	2019	2018	
Workers	9	2	1	
Employees	83	73	55	
Executives	1	1	0	
Total employees	93	76	56	

## 7.5 Costs for services

The following table reports the prospectus of detail of costs for services for the closed exercises to 31 December 2020, 2019 and 2018.

(Euro)	Financial year ended 31 December		
(Euro)	2020	2019	2018
Utilities and cleaning services	94.705	97.323	75.030
Maintenance	61.928	29.563	11.326
Transport	77.445	69.940	56.368
Consulting	1.063.540	1.067.360	746.398
R&D Services	553.709	302.990	202.906
Travel and accommodation costs	86.053	266.980	167.641
External processing	523.220	248.297	136.384
Marketing and trade fairs	29.791	151.753	100.598
Insurance	46.519	33.545	24.036
Canteen	75.662	90.337	69.899
Commissions	10.029	11.683	6.147
Remuneration Sole Director	143.517	143.400	163.146
Remuneration of indipendent auditors	10.400	10.400	8.320
Other services	90.361	32.994	19.308
Costs for services	2.866.879	2.556.565	1.787.506

The services purchased by the company mainly refer to consultancy (technical, administrative, legal, etc.), external processing, remuneration of the administrative body in office on that date (sole director) and costs for utilities.

## 7.6 Other operating costs

The following table shows the detailed statement of the other operating costs for the years ended 31 December 2020, 2019 and 2018.

(Euro)	Financi	al year ended 31 Dec	eember
(Euro)	2020	2019	2018
Rental, rental and licensing costs	122.634	96.929	78.892
Taxes and fees	1.617	1.500	1.507

Other operating costs	454.746	479.333	95.298
Other minors	12.680	16.586	4.786
Loss on receivables		350.633	
Membership fees and benefits	17.815	13.685	10.113
Substitute tax	300.000	-	-

Costs related to leases include: (i) rents referring to the rental of goods of low value, for which the The Company has availed itself of the exemption provided for by IFRS 16 and (ii) costs related to the use of the underlying assets contracts of lease who do not fall within the scope of application of IFRS 16. (This is a software rental)

The costs of substitute tax are related to the cost incurred for the payment of the expected substitute tax of 3% relating to the revaluation of intangible assets, for more details see paragraph 6.5.

The credit losses for 2019 refer to the removal of the entire receivable, net of VAT, claimed against the customer Piaggio Aero Industries S.p.A. following the information acquired during the extraordinary administration procedure of the latter for a total of 370 thousand euros, after using the fund set aside in the previous year and recording a loss on receivables of 350 thousand euros.

#### 7.7 Write-downs of financial assets

Net write-downs of financial assets of 33 thousand euro, 54 thousand euro and 230 thousand euro respectively for the years ended 31 December 2020, 2019 and 2018, they refer to the write-down of trade receivables. Below is the detailed prospectus relating to the movement of the credit write-down fund for the years ended at the 31 December 2020, 2019 and 2018.

(Euro)	Financial year ended 31 December				
(Euro)	2020	2019	2018		
Advance and write-downs of receivables from current assets	33.070	53.799	230.117		
Net write-downs of financial assets	33.070	53.799	230.117		

In 2018, the company set aside to FSC an amount of 210 thousand euros in reference to the credit position of 708 thousand euros towards Piaggio Aero Industries S.p.A.. In 2019, the company withstanding the entire claim (net of VAT) following the opening of the extraordinary administration procedure of the latter (see also note 7.6 above).

### 7.8 Depreciation and amortization

The following table shows the statement of depreciation and amortization for the years ended to 31 December 2020, 2019 and 2018.

(Figure)	Financial year ended 31 December					
(Euro)	2020	2019	2018			
Depreciation and write-downs of intangible assets	265.420	237.247	66.948			
Depreciation and amortization of tangible assets	506.501	439.208	358.995			
Depreciation and write-downs of assets for right of use	147.349	133.581	98.207			
Provisions for risks	20.200	14.000	15.000			
Depreciation and amortization	939.469	824.036	539.151			

The detailed prospectuses relating to the composition and movement of intangible assets and Material assets for the years ended 31 December 2020, 2019 and 2018 are reported in notes 6.1 and 6.3. The information on for right of use asset in periods in exam is reported in the note 6.2.

## 7.9 Net financial income and charges

The following table shows the detailed statement of financial income for the years ended 31 December 2020, 2019 and 2018.

(Euro)	Financial year ended 31 December					
(Euro)	2020	2019	2018			
Interest income	235	441	175			
Net foreign exchange gains	28.566	16.355	5.500			
Income from derivative contracts	166	3.490	-			
Other financial income	111.630	632	35			
Financial income	140.597	20.918	5.709			

The other financial income derives from the application of the amortized cost valuation relating to the non-interest-bearing loan granted by miSe in 2018, with residual debt at 31 December 2020 of Euro 778 thousand.

The following table shows the detailed statement of borrowing costs for the years ended 31 December 2020, 2019 and 2018.

(Funo)	Financial year ended 31 December			
(Euro)	2020	2019	2018	
Interest on bonds or loans	90.116	111.476	43.694	
Bank interest	2.940	3.257	31.217	
Net foreign exchange losses	28.092	4.184	22.044	
Interest on liabilities per lease	40.164	41.072	30.048	
Interest on discounting benefits funds to employees	3.355	4.488	2.885	
Charges on derivative contracts	28.107	31.090	5.781	
Other financial charges	65	61	6.364	
Financial charges	192.838	195.629	142.033	

Financial income and expenses include foreign exchange gains and losses from foreign currency transactions, interest expense from loans and leases still outstanding and from the bond granted by Unicredit in 2018.

## 7.10 Income taxes expense

The table who Follows Reports the prospectus of detail of taxes on income of the financial year closed at 31 December 2020, 2019 and 2018.

(Euro)	Financial	Financial year ended 31 December				
(Euro)	2020	2020 2019				
Current taxes	(949.650)	(674.570)	(793.795)			
Deferred taxes	2.876.078	(600.589)	598.034			
previous years taxes	(20.379)	(292)	(117)			
Income taxes	1.906.049	(1.275.451)	(195.878)			

The following table shows the reconciliation of the theoretical rate of taxation with the actual incidenceon ante result taxes for the exercises Closed to the 31 December 2020, 2019 and 2018.

Euro)	Financial :	Financial year ended 31 December					
(Euro)	2020	2019	2018				
Profit before taxation	3.985.266	5.089.158	1.336.925				
Theoretical rate	24,0%	24,0%	24,0%				
Theoretical tax burden	(956.464)	(1.221.398)	(320.862)				
Tax effects non-taxable revenue	146.609	146.697	122.901				
IRAP	(135.493)	(143.517)	(146.677)				

Income taxes	1.906.049	(1.275.451)	(195.878)
Other	7.973	122.319	332.029
Tax benefit from revaluation	2.873.000	-	-
Tax effect non-deductible costs	(43.037)	(201.351)	(199.321)
ACE	13.460	21.798	16.052

## 8. Transactions with related parties

The transactions carried out with the related parties, identified based on the criteria defined by IAS 24, are chiefly by commercial and financial nature and are made in normal market conditions.

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 the Shareholders 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 in office at 31 December 2020, 2019 and 2018 From 13 October 2021 Chairman of the Board of Directors and CEO
Lucia Cingolani	Spouse of the Chairman of the Board of Directors and Chief Executive Officer
Alessandro Cingolani	Family member of the 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 summarises the Company's financial reports to related parties at 31 December 2020, 2019, 2018.

RELATED PARTIES in 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 budget item	Impact on the budget item
	Trade receivables							
As of December 31, 2020						0	6.527	0%
As of December 31, 2019						0	3.706	0%
As of December 31, 2018	50					50	3.769	1%
	Benefits vs employees							
As of December 31, 2020					19	19	656	3%
As of December 31, 2019					13	13	462	3%
As of December 31, 2018					8	8	287	3%
	Debts vs suppliers		•			•		
As of December 31, 2020						0	1.968	0%
As of December 31, 2019						0	1.924	0%
As of December 31, 2018						0	1.572	0%
	Other current liabilities							
As of December 31, 2020				6	16	22	1.238	2%
As of December 31, 2019				6	14	20	1.315	2%
As of December 31, 2018				18	8	27	1.382	2%

The following table summarises the Company's business relations with related parties for the years 2020, 2019 and 2018.

RELATED PARTIES in 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 budget item	Impact on the budget item
	Sales revenue							
As of December 31, 2020						0	18.288	0%
As of December 31, 2019						0	16.309	0%
As of December 31, 2018	61					61	9.752	1%
	Costs for services							
As of December 31, 2020		74	4	144		222	2.867	8%
As of December 31, 2019		127	10	144		281	2.557	11%
As of December 31, 2018		74		18		92	1.788	5%
Personnel costs								
As of December 31, 2020			_	_	107	107	4.255	3%
As of December 31, 2019					98	98	3.238	3%
As of December 31, 2018					27	27	2.722	1%

Below is an explanation of the main contracts in place with related parties:

- Relations with JSC Perm Scientific-Industrial Instrument Making Company (PNPPK) are of a commercial nature and regulated in Euro. In particular, the company sells goods and services to PNPPK. The trade receivables referred to the above activities amounted to Euro 50 thousand at December 31, 2020, during the financial years 2019 and 2018 there were no relationships with the Company. Sales revenue relating to the above relationships amounted to Euro 61 thousand at December 31, 2020, during the financial years 2019 and 2018 there were no relationships with the Company;
- Relations with Michael S. Perlmutter are of a commercial nature and regulated in Euros. In particular, the company purchases commercial consultancy from Perlmutter. The costs for consulting on the above relationships amounted to Euro 74 thousand at December 31, 2020, at December 31, 2019 at Euro 127 thousand and at December 31, 2018 at Euro 74 thousand.

## 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  $\epsilon$ . 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  $\epsilon$  50,000.

## 10. Remuneration to Sole Director and statutory auditors.

The remuneration due to the Sole Director in office in the three-year period amounts to Euro 120 thousand, Euro 120 thousands and Euro 140 thousands for fiscal years closed to 31 December 2020, 2019 and 2018.

In 2020, the Board of Statutory Auditors was not present.

During the financial year No loans or advances have been granted to administrator or Members.

## 11. Remuneration to the indipendent auditors

The remuneration due to the sole auditor no longer in office amounts respectively to Euro 10 thousand, Euro 10 Thousands and Euro 8 thousand for the Exercises Closed to the 31 December 2020, 2019 and 2018.

The remuneration for the auditing firm in office in 2020 is equal to 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.

Research and development expenses amounted to 1,752 thousand euro, 1,396 thousand euro and Euro 1,396 thousand euro 1.279 Thousands for the Exercises Closed to the 31 December 2020, 2019 and 2018.

## 13. Significant events subsequent to year end

As indicated above, in 2021 the Company started a process of listing the shares on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A.

On October 27, 2021, the Company received the waiver from Unicredit, formally remedying the position relating to non-compliance with the commitments not to do provided for in the bond loan agreement in place with the same Banking Institution.

## 14. First adoption of IFRS accounting policies

## Criteria followed to achieve the transition from Italian Accounting Policies to EU-IFRS

The Company has applied the right to draw up this 2020-2018 Three-Year Financial Statements by voluntarily applying EU-IFRS accounting standards for the first time as this document was prepared as part of the process of listing the Company's shares on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. with the aim of its inclusion in the Offer Prospectus.

Therefore, the date of first application of IFRS (the "Transition Date"), in accordance with IFRS 1 and due to the inclusion of historical data in the Offer Prospectus, was set at 1 January 2018. The procedure followed for the transition from the Principles is described below Italian Accounting Officers at EU-IFRS for the preparation of the Three Year Financial Statements (hereinafter referred to as the "Transition Process").

## General policies and criteria

The Company has applied EU-IFRS retrospectively to all periods closed prior to the Date Transitional, with the exception of the mandatory exemptions and certain optional exemptions adopted in the compliance with IFRS 1, as described in the following paragraph. In particular, the accounting policies are described in previous note 2.4 "Accounting principles and evaluation criteria".

The balance sheet and financial position as at 1 January 2018 reflects the following differences in treatment with respect to the Company's financial statements as at 31 December 2017, prepared in accordance with the Principles Italian Accountants:

- are state detected and evaluated all the asset and the liability the which registration it is request by EU-IFRS, included those not provided in application of the Principles Accounting Italians;
- all assets and liabilities whose recognition is required by the Italian GAAP, but is not permitted by EU-IFRS, have been
  derecognised; some financial statements items have been reclassified in accordance with EU-IFRS.

At the transition date, the effect of the adjustment of the initial balances of the Company's assets and liabilities to the new accounting policies are recorded under the heading "Reserve from the first adoption EU-IFRS" of shareholders' equity, considered the related tax effects (see also footnote 2.4. "Accounting principles and criteria of evaluation" for the modalities of recognition of activities for taxes anticipate).

### Presentation of financial statements

As regards the way in which the financial statements are presented, see note 2.3 " Principles for the preparation of the Three-Year Financial Statement". ".

#### **Exemptions to full retrospective adoption of EU-IFRS**

The mandatory exemptions to the full retrospective adoption of EU-IFRS, in compliance with IFRS 1, have been applied in the process of Transition if and since related to applicable conditions to Company.

Estimates made at the EU-IFRS Transition Date and subsequent balance sheet dates are in accordance with the estimates made on the same date according to the Italian Accounting Standards (after the adjustments necessary for reflect any differences in Principles accountants).

## a) Optional exemptions to full retrospective adoption of EU-IFRS Contracts Rental and of lease

On the Transition Date to EU-IFRS, the Company has decided to assess whether a contract contains a *lease* applying paragraphs 9 to 11 of IFRS 16 to the contract based on the facts and circumstances existing in that contract date. The contract is, or contains, a *lease* if, in exchange for consideration, it confers the right to control use of an asset specified for a period of time.

As part of the transition to IFRS 16 and in compliance with the transitional provisions of the beginning IFRS 16, the Company has decided to adopt the following Choices:

- a) value the liability for *lease* to the Transition Date to the present value of the remaining payments Due for the *lease*, Discounted Using the badger of financing marginal to data of passage EU-IFRS, of Company who acts in quality of tenant (IFRS 16, App. C, by. C8);
- b) evaluate the asset consisting in the right of use on the Transition Date at an amount equal to the liabilities for *lease*, adjusted by any deferred income or accrued income relating to the *lease* recognised in the statement of financial position immediately prior to the Date of Transition (IFRS 16, App. C, para. C8);
- c) take advantage of faculty of Not carry out Adjustments Transitional for *lease* the which activity underlying it is of modest value (IFRS 16, App. C, para. C9);
- d) apply *lease* for *lease* a single discount rate to a portfolio of *lease* with reasonably similar characteristics, such as *lease* with a similar remaining duration for one class of a similar underlying class of activity in a similar economic context (IFRS 16, App. C, by. C10);
- e) have the possibility of valuing the asset by right of use and the liability for *lease* on the Date of Transition to one amount same to the value accountant of the activity object of the lease and of passivityof the *lease* appraised immediately before of Date of Transition Applying the IAS 17 (IFRS16, App. C, para. C11).

The other optional exemptions planned from IFRS 1 have not been used, since related to: i) the Italian Accounting Standards are already aligned with EU-IFRS, ii) the Company has opted for the application retrospettica, o iii) are not Applicable to the Company.

## Treatments Selected in the context of options Accounting planned By EU IFRS

EU-IFRS allows for certain accounting options. Below are the main choices made by the Group.

- Valuation of inventories: According to IAS 2, the cost of inventories must be determined adopting the FIFO method or the weighted average cost method. The Company has chosen to use the method of weighted average cost.
- Evaluation of materials asset of intangible assets and of activity for right Of use: after the initial registration at the cost, the IAS 16 Leases provide that tangible assets, intangible assets and right-of-use assets can be measured at cost less accumulated depreciation and impairment, or by periodically restating the market value and adjusting the balancing item to that value (so-called "Revaluation Model"). the society has decided to maintain cost as a criterion for the valuation of tangible assets, intangible assets and right-to-use assets.

## **Description of effects Significant of the Process of Transition**

- The following tables highlight the effects, both in terms of reclassification and adjustments, of the transition to EU-Ifrs: on the financial position of the Company at the Transition Date, at 31 December 2018 and at 31 December 2019;
- on the Company's comprehensive income statement for the years ending 31 December 2018 and 2019;
- on the Company's shareholders' equity at the Transition Date, as at 31 December 2018 and 31 December 2019.

# Effects of transition to EU-IFRS on situation patrimonial and Financial to Data of Transition (01.01.2018)

(Euro)	Italian Accounting Principles (Approved financial statements)	Adjustments for errors	Italian Accounting Principles	Adjustments	Reclassifications	IFRS
ACTIVITIES	,					
Non-current assets						
Intangible assets	109.212		109.212		-19.193	90.020
Right of use assets				240.265		240.265
Tangible assets	1.132.633		1.132.633		19.193	1.151.826
Investments in subsidiaries and other non current assents	282		282			282
Deferred tax assets	4.800	853.457	858.257	10.249		868.505
Total non-current assets	1.246.927	853.457	2.100.384	250.514	0	2.350.898
Current assets						
Inventories	1.350.985		1.350.985			1.350.985
Trade receivables	3.017.975		3.017.975			3.017.975
Work in progress assets	1.069.825	2.104.584	3.174.409			3.174.409
Other receivables and current assents	815.156		815.156			815.156
Cash and equivalents	3.429.405		3.429.405			3.429.405
Total current assets	9.683.346	2.104.584	11.787.930	0	0	11.787.930
TOTAL ASSETS	10.930.273	2.958.041	13.888.314	250.514	0	14.138.828
EQUITY AND LIABILITIES Share Capital Reserves Net profit	500.000 736.423 3.571.315	128.795 (2.229.523)	500.000 865.219 1.341.792	(32.454)		500.000 832.765 1.341.792
Total equity	4.807.739	(2.100.728)	2.707.011	(32.454)	0	2.674.557
Non-current liabilities		(211001.20)	20.0.0011	(021101)	•	2107 11007
Non-current financial liabilities	1.040.884		1.040.884			1.040.884
non-current lease liabilities	0		0	214.881		214.881
Deferred tax liabilities	0	(16.925)	16.925		0	16.925
Employee benefits obligations	189.493	( )	189.493	42.702		232.196
Provisions for risks	20.000		20.000			20.000
Total non-current liabilities	1.250.377	(16.925)	1.267.303	257.583	0	1.524.886
Current liabilities		· ,			<u> </u>	
Current financial liabilities	407.225		407.225			407.225
Current lease liabilities	0		0	25.384		25.384
Trade payables	1.175.481		1.175.481			1.175.481
Advance payment on WIP assets	0	5.041.844	5.041.844			5.041.844
Current tax payables	1.270.870		1.270.870			1.270.870
Other payables	2.018.582		2.018.582			2.018.582
Total current liabilities	4.872.157	5.041.844	9.914.001	25.384	0	9.939.385
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10.930.273	2.958.041	13.888.314	250.514	0	14.138.828

# Effects of the Transition to EU-Ifrs on the Statement of Financial Position at the Transition Date (01.01.2018)

(Euro)	Italian Accounting Principles (Approved financial statements)	Adjustments for errors	Italian Accounting Principles	Adjustments	Reclassifications	IFRS
ACTIVITIES	,					
Non-current assets						
Intangible assets	261.542		261.542		-172.629	88.913
Right of use assets	0		0	2.069.949		2.069.949
Tangible assets	1.800.986		1.800.986		172.629	1.973.615
Investments in subsidiaries and other non current assents	282		282			282
Deferred tax assets	62.574	1.393.783	1.456.357	14.447		1.470.804
Total non-current assets	2.125.384	1.393.783	3.519.168	2.084.396	0	5.603.564
Current assets						
Inventories	2.523.451		2.523.451			2.523.451
Trade receivables	3.769.070		3.769.070			3.769.070
Work in progress assets	1.368.294	3.045.191	4.413.485			4.413.485
Other receivables and current assets	891.894		891.894	(25.000)		866.894
Cash and cash equivalents	6.058.486		6.058.486			6.058.486
Total current assets	14.611.196	3.045.191	17.656.386	(25.000)	0	17.631.386
TOTAL ASSETS	16.736.580	4.438.974	21.175.554	2.059.396	0	23.234.950
EQUITY AND LIABILITIES Share Capital Reserves Net profit	500.000 4.307.739 2.527.625	(2.134.748) (1.365.074)	500.000 2.172.991 1.162.551	(19.127) (21.503)		500.000 2.153.864 1.141.047
Total equity	7.335.363	(3.499.822)	3.835.541	(40.630)	0	3.794.911
Non-current liabilities	7.555.565	(3.477.022)	5.053.541	(40.050)	<u> </u>	0.774.711
Non-current financial liabilities Non current lease liabities Deferred tax liabilities	4.815.900	3.809	4.815.900 3.912	1.973.557	48.419	4.864.319 1.973.557 3.912
Employee benefits obligations	258.093		258.093	29.109		287.203
Provision for risks	63.419	337.841	401.260		(48.419)	352.841
Total non-current liabilities	5.137.515	341.650	5.479.165	2.002.666	0	7.481.832
Current liabilities Current financial liabilities	1.152.242		1.152.242			1.152.242
Current lease liabilities				97.360		97.360
Trade payables	1.572.211		1.572.211			1.572.211
Advance payment on WIP assets	0	7.586.402	7.586.402			7.586.402
Current tax payables	76.221	10.743	86.964			86.964
Other payables	1.463.029		1.463.029			1.463.029
Total current liabilities	4.263.702	7.597.146	11.860.847	97.360	0	11.958.207
TOTAL EQUITY AND LIABILITIES	16.736.580	4.438.974	21.175.554	2.059.396	0	23.234.950

# Effects of the transition to EU-Ifrs on the financial position at 31 December 2018

(Euro)	Italian Accounting Principles (Approved financial statements)	Adjustments for errors	Italian Accounting Principles	Adjustments	Reclassifications	IFRS
ACTIVITIES						
Non-current assets						
Intangible assets	572.707		572.707		-183.208	389.499
Right of use assets				1.936.368		1.936.368
Tangible assets	1.822.671		1.822.671		183.208	2.005.879
Investements in subsidiaries and other non current assets	50.282		50.282			50.282
Deferred assets	21.360	844.020	865.380	38.992		904.373
Total non-current assets	2.467.021	844.020	3.311.041	1.975.360	0	5.286.402
Current assets						
Inventories	3.266.270		3.266.270			3.266.270
Trade receivables	3.706.091		3.706.091			3.706.091
Work in progress assets	2.314.722	6.227.601	8.542.323			8.542.323
Other receivables and current assets	1.443.642		1.443.642	-25.000		1.418.642
Cash and cash equivalents	5.691.922		5.691.922			5.691.922
Total current assets	16.422.647	6.227.601	22.650.248	-25.000	0	22.625.248
TOTAL ASSETS	18.889.667	7.071.622	25.961.289	1.950.360	0	27.911.649
EQUITY AND LIABILITIE	ES					
Share Capital	500.000		500.000			500.000
Reserves	6.835.363	3.514.628	3.320.735	-90.990		3.229.746
Net profit	2.389.239	1.444.697	3.833.937	-20.230		3.813.707
Total equity	9.724.602	4.959.325	7.654.672	-111.220	0	7.543.452
Non-current liabilities						
Non-current financial liabilities	753.712		753.712			753.712
Non current lease liabilities				1.863.605		1.863.605
Deferred tax liabilities		12.816	12.816			12.816
Employee benefits obligations	374.184		374.184	88.023		462.207

Provisions for risks	78.411	309.789	388.199		-64.411	323.789
Total non-current liabilities	1.206.307	322.605	1.528.911	1.951.628	-64.411	3.416.129
Current liabilities						_
Current financial liabilities	4.555.764		4.555.764		64.411	4.620.175
Currents lease liabilities				109.952		109.952
Trade payables	1.924.219		1.924.219			1.924.219
Advance payments on WIP assets		8.803.528	8.803.528			8.803.528
Current tax paybles	85.091	15.419	100.509			100.509
Other payables	1.393.685		1.393.685			1.393.685
Total current liabilities	7.958.759	8.818.947	16.777.705	109.952	64.411	16.952.068
TOTAL EQUITY AND LIABILITIES	18.889.668	14.100.877	25.961.288	1.950.360	0	27.911.649

# Effects of the transition to EU-Ifrs on the financial position at 31 December 2020

(Euro)	Italian Accounting Principles (Approved financial statements)	Adjustments for errors	Italian Accounting Principles	Adjustments	Reclassifications	IFRS
ACTIVITIES						
Non-current assets						
Intangible assets	10.456.830		10.456.830	-10.000.000	-167.032	289.798
Right of use assets				1.882.498		1.882.498
Tangible assets	2.003.841		2.003.841		167.032	2.170.874
Investments in subsidiares	50.282		50.282			50.282
Deferred tax assets	861.227		861.227	2.930.458		3.791.685
Total non-current assets	13.372.181	0	13.372.181	-5.187.044	0	8.185.136
Current assets						
Inventories	2.950.863		2.950.863			2.950.863
Trade receivables	6.527.072		6.527.072			6.527.072
Work in progress assets	12.410.848		12.410.848			12.410.848
Other receivables and current assets	1.413.823		1.413.823	-2.083		1.411.740
Cash and cash equivalents	5.596.905		5.596.905			5.596.905
Total current assets	28.899.511	0	28.899.511	-2.083	0	28.897.428
TOTAL ASSETS	42.271.691	0	42.271.691	-5.189.127	0	37.082.564
EQUITY AND LIABILITI	ES					
Share Capital	500.000		500.000			500.000
Reserves	16.873.262		16.873.262	-9.847.559		7.025.703
Net profit	3.335.699		3.335.699	2.555.616		5.891.315
Total equity	20.708.961	0	-20.708.961	7.291.943	0	13.417.018
Non-current liabilities						
Non-current financial liabilities	1.155.350		1.155.350			1.155.350
Non current lease liabilities				1.828.137		1.828.137
Deferred tax liabilities	13.577		13.577			13.577
Employee benefits obligation	519.828		519.828	136.106		655.934

Provision for risks	309.998		309.998		-60.072	249.926
Total non-current liabilities	1.998.753	0	1.998.753	1.964.243	0	3.902.924
Current liabilities						_
Current financial liabilities	3.682.429		3.682.429		60.072	3.742.501
Current lease liabilities				138.572		138.572
Trade payables	1.967.692		1.967.692			1.967.692
Advance payment on WIP assets	11.769.412		11.769.412			11.769.412
Current tax payables	768.273		768.273			768.273
Other payables	1.376.172		1.376.172			1.376.172
Total current liabilities	19.563.978	0	19.563.978	138.572	0	19.762.622
TOTAL EQUITY AND LIABILITIES	42.271.691	0	42.271.691	5.189.127	0	37.082.564

# Effect of the transition to EU-Ifrss on comprehensive income for the year ended 31 December 2018

(Euro)	Italian Accounting Principles (Approved financial statements)	Adjustments for errors	Italian Accounting Principles	Adjustments	Reclassifications	IFRS
Operating revenue	11.693.491	(1.941.793)	9.751.697			9.751.697
Other revenues	786.661	(======================================	786.661			786.661
Total revenue	12.480.151	(1.941.793)	10.538.358	0	0	10.538.358
Raw material cost and inventory changes	(3.691.452)		(3.691.452)			(3.691.452)
Personnel costs	(2.720.527)		(2.720.527)	(1.057)		(2.721.584)
Costs for services	(1.787.506)		(1.787.506)			(1.787.506)
Other operating costs	(197.586)		(197.586)	102.288		(95.298)
Gross Operating Margin (EBITDA)	4.083.080	(1.603.952)	2.479.128	101.231	0	2.580.359
write-downs of financial assets	(230.117)		(230.117)			(230.117)
Depreciation and amortization	(440.944)		(440.944)	(98.207)		(539.151)
Operating result (EBIT)	3.412.019	(1.941.793)	1.470.226	3.023	0	1.473.249
Net financial income	5.709		5.709			5.709
Net financial charges	(153.863)	44.763	(109.100)	(32.933)		(142.033)
Profit before taxation	3.263.865	(1.897.030)	1.366.835	(29.910)	0	1.336.925
Income taxes expense	(736.241)	531.956	(204.285)	8.407		(195.878)
Net Income	2.527.625	(1.365.074)	1.162.551	(21.503)	0	1.141.047
(Euro)	Italian Accounting Principles (Approved financial statements)	Corrections for error correction	Italian Accounting Principles	Adjustments	Riclassifiche	IFRS
Net Income	2.527.625	(1.365.074)	1.162.551	(21.503)	0	1.141.047
Other total profits/(losses) that will subsequently be reclassified into profit/(loss) for the year: Profit/(loss) on the effective part of the hedging instruments (cash	0	(34.020)	(34.020)			(34.020)
flow hedge)		, ,	, ,			`
Total other components of the income statement	0	(34.020)	(34.020)	0	0	(34.020)
Other components of the comprehensive income statement that will not be reclassified in the income statement in subsequent years						
Actuarial gains (losses) for defined benefit employee plans	0		0	13.327		13.327
Total other components of the income statement	0	0	0	13.327	0	13.327
Overall net result	2.527.625	(1.399.094)	1.128.531	(8.177)	0	1.120.354

# Effect of the transition to EU-Ifrss on comprehensive income for the year ended 31 December 2019

(Euro)	Italian Accounting Principles (Approved financial statements)	Adjustments for errors	Italian Accounting Principles	Adjustments	Reclassifications	IFRS
Operating revenue	14.532.275	1.776.516	16.308.791			16.308.791
Other revenues	868.355		868.355			868.355
Total revenue	15.400.629	1.776.516	17.177.146	0	0	17.177.146
Raw material cost and inventory changes	(4.761.968)		(4.761.968)			(4.761.968)
Personnel costs Costs for services	(3.466.233) (2.556.565)	216.820	(3.249.413) (2.556.565)	11.837		(3.237.576) (2.556.565)
Other operating costs	(617.765)		(617.765)	138.432		(479.333)
Operating profit (EBITDA)	3.998.099	1.993.337	5.991.435	150.269	0	6.141.704
Write-downs of financial assets	(53.799)		(53.799)			(53.799)
Depreciation and amortization	(690.455)		(690.455)	(133.581)		(824.036)
Operating result (EBIT)	3.253.845	1.993.337	5.247.181	16.687	0	5.263.869
Net Financial income	20.918		20.918			20.918
Net Financial charges	(169.550)	19.482	(150.069)	(45.560)		(195.629)
Profit before taxation	3.105.212	2.012.818	5.118.031	(28.873)	0	5.089.158
Income taxes expense	(715.973)	(568.121)	(1.284.094)	8.643		(1.275.451)
Net Income	2.389.239	1.444.697	3.833.937	(20.230)	0	3.813.707
	Principles (Approved financial statements)	Adjustments for errors	Italian Accounting Principles	Adjustments	Reclassifications	IFRS
Net profit	2.389.239	1.444.697	3.833.937	(20.230)	0	3.813.707
Other total profits/(losses) that will subsequently be reclassified into profit/(loss) for the year:						
Profit/(loss) on the effective part of the hedging instruments (cash flow hedge)	0	(14.806)	(14.806)			(14.806)
Total other components of the income statement	0	(14.806)	(14.806)	0	0	(14.806)
Other components of the comprehensive income statement that will not be reclassified in the income						
statement in subsequent years						
statement in subsequent years Actuarial gains (losses) for defined benefit employee plans	0		0	(50.360)		(50.360)
Actuarial gains (losses) for	0	0	0	(50.360) (50.360)	0	(50.360) (50.360)

2.389.239

1.429.891

3.819.131

(70.590)

3.748.541

Overall net profit

# Effect of the transition to EU-Ifrss on comprehensive income for the year ended 31 December 2019

Operating revenue         18.288.036         18.288.036         847.403         847.803         847.803         847.803         847.803         847.803         847.803         847.803         847.803         847.803         847.803         847.803         847.803         847.803         847.803         9         0         19.135.439         0         0         19.135.439         0         0         19.135.439         0         0         19.135.439         0         0         19.135.439         0         0         19.135.439         0         0         19.135.439         0         0         19.135.439         0         0         19.135.439         0         0         19.135.439         0         6.549.214)         (6.549.214)         (6.549.214)         (6.549.214)         (6.549.214)         (6.549.214)         (6.549.214)         (6.549.214)         (6.549.214)         (6.549.214)         (6.549.214)         (6.549.214)         (6.549.214)         (2.866.879)         (2.866.879)         (2.866.879)         (2.866.879)         (2.866.879)         (2.866.879)         (3.3070)         (3.3070)         (33.070)         (33.070)         (33.070)         (33.070)         (33.070)         (33.070)         (40.254.54)         (40.254.54)         (40.254.54)         (40.254.54)         (40.	(Euro)	Italian Accounting Principles (Approved financial statements)	Adjustments for errors	Italian Accounting Principles	Adjustments	Reclassifications	IFRS
Total revenue	Operating revenue			18.288.036			18.288.036
Raw material cost and inventory changes   6.649.214   (6.549.214   (	1 0	847.403		847.403			847.403
Inventory changes   (6.549,214)   (6.549,2	Total revenue	19.135.439	0	19.135.439	0	0	19.135.439
Personnel costs		(6.549.214)		(6.549.214)			(6.549.214)
Costs for services		(4.257.640)		(4.257.640)	3.086		(4.254.554)
Other operating costs         (318.153)         (318.153)         (136.593)         (454.746)           Operating profit (EBITDA)         5.143.553         0         5.143.553         (133.507)         0         5.010.046           Write-downs of financial assets (33.070)         (33.070)         (33.070)         (99.469)         (99.469)           Operating profit (EBIT)         4.318.363         0         4.318.363         (280.855)         0         4.037.507           Net financial income         140.597 <td< td=""><td></td><td>` ′</td><td></td><td>,</td><td></td><td></td><td>` ′</td></td<>		` ′		,			` ′
Write-downs of financial assets   (33.070)   (33.070)   (33.070)   (939.469	Other operating costs			` ′	(136.593)		, ,
Depreciation and amortization   (792.121)   (792.121)   (147.349)   (939.469	Operating profit (EBITDA)	5.143.553	0	5.143.553	(133.507)	0	5.010.046
Depreciation and amortization   Cross   Cros		(33.070)		(33.070)			(33.070)
Net financial income   140.597   1	Depreciation and amortization	` /		` ′	(147.349)		1
Net financial charges   (149.320)   (149.320)   (43.518)   (192.838)     Profit before taxation   4.309.640   0   4.309.640   (324.374)   0   3.985.266	Operating profit (EBIT)	4.318.363	0	4.318.363	(280.855)	0	4.037.507
Profit before taxation	Net financial income	140.597		140.597	· · · · · · · · · · · · · · · · · · ·		140.597
Income taxes expense   (973.941)   (973.941)   2.879.990   1.906.049     Net Income   3.335.699   0   3.335.699   2.555.616   0   5.891.315     (Euro)	Net financial charges	(149.320)		(149.320)	(43.518)		(192.838)
Net Income   3.335.699   0   3.335.699   2.555.616   0   5.891.315	Profit before taxation	4.309.640	0	4.309.640	(324.374)	0	3.985.266
CEUTO   Accounting Principles (Approved financial statements)	Income taxes expense	(973.941)		(973.941)	2.879.990		1.906.049
Accounting Principles (Approved financial statements)  Net profit 3.335.699 0 3.335.699 2.555.616 0 5.891.315  Other total profits/(losses) that will subsequently be reclassified into profit/(loss) on the effective part of the hedging instruments (cash flow hedge)  Total other components of the comprehensive income statement that will not be reclassified in the income statement in subsequent years  Actuarial gains (losses) for defined benefit employee plans  Total other components of the income statement  Total other components of the components of the comprehensive income statement in subsequent years  Actuarial gains (losses) for defined benefit employee plans  Total other components of the income statement  Total other components of the income statement in subsequent years  Actuarial gains (losses) for defined benefit employee plans  Total other components of the income statement in subsequent years  Actuarial gains (losses) for defined benefit employee plans	Net Income	3.335.699	0	3.335.699	2.555.616	0	5.891.315
Net profit 3.335.699 0 3.335.699 2.555.616 0 5.891.315  Other total profits/(losses) that will subsequently be reclassified into profit/(loss) for the year:  Profit/(loss) on the effective part of the hedging instruments (cash flow hedge)  Total other components of the income statement that will not be reclassified in the income statement in subsequent years  Actuarial gains (losses) for defined benefit employee plans  Output (as.335.699) 2.555.616 0 0 0 3.355.616  Output (loss) 5.891.315  Output (loss) 60 0 3.171  Output (loss) 60 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	(Euro)	Accounting Principles (Approved financial	•	Accounting	Adjustments	Reclassifications	IFRS
Other total profits/(losses) that will subsequently be reclassified into profit/(loss) for the year:  Profit/(loss) on the effective part of the hedging instruments (cash flow hedge)  Total other components of the income statement  Other components of the comprehensive income statement that will not be reclassified in the income statement in subsequent years  Actuarial gains (losses) for defined benefit employee plans  Total other components of the on 0 0 3.171  0 3.171  0 3.171  0 3.171  0 3.171  0 3.171  0 3.171  0 3.171  0 3.171  0 3.171  0 3.171  0 3.171	Net profit		0	3,335,699	2,555,616	0	5.891.315
Total other components of the income statement  Other components of the comprehensive income statement that will not be reclassified in the income statement in subsequent years  Actuarial gains (losses) for defined benefit employee plans  Total other components of the o 0 0 0 (36.339) 0 (36.339)	Other total profits/(losses) that will subsequently be reclassified into profit/(loss) for the year: Profit/(loss) on the effective part of the hedging instruments			0	3.171		3.171
comprehensive income statement that will not be reclassified in the income statement in subsequent years  Actuarial gains (losses) for defined benefit employee plans  Total other components of the income statement  0 0 (36.339) (36.339)  (36.339)	· · · · · · · · · · · · · · · · · · ·	0	0	0	3.171	0	3.171
Total other components of the income statement 0 0 0 (36.339) 0 (36.339)	comprehensive income statement that will not be reclassified in the income statement in subsequent years Actuarial gains (losses) for	0		0	(36.339)		(36.339)
income statement	Total other components of the	0	0	0	(36.339)	0	(36.339)
	income statement	v	•	•	(00.007)	<u> </u>	(20.00)

## Effects of transition to EU-IFRS on statement financial for the exercise closed to the 31 December 2018

(Euro)	Italian Accounting policies	Reclass.	IFRS
Net cash flow generated / (absorbed) from operating activities	(646.246)	197.278	(448.968)
Net cash flow generated / (absorbed) by investment activities	(1.266.759)	(5.194)	(1.271.953)
Net cash flow generated/(absorbed) from financial assets	4.542.087	(192.085)	4.350.002
Total change in cash and cash equivalents	2.629.082	0	2.629.082

## Effects of transition to EU-IFRS on statement financial for the exercise closed to the 31 December 2019

(Euro)	Italian Accounting Policies	Reclass.	IFRS
Net cash flow generated / (absorbed) from operating activities	1.265.573	288.435	1.554.008
Net cash flow generated / (absorbed) by investment activities	(1.063.469)	4.164	(1.059.305)
Net cash flow generated/(absorbed) from financial assets	(568.668)	(292.600)	(861.268)
Total change in cash and cash equivalents	(366.564)	0	(366.564)

## Effects of transition to EU-IFRS on statement financial for the exercise closed to the 31 December 2020

(Euro)	Italian Accounting Policies	Reclass.	IFRS
Net cash flow generated / (absorbed) from operating activities	1.311.377	93.786	1.405.163
Net cash flow generated / (absorbed) by investment activities	(979.069)	141.854	(837.215)
Net cash flow generated/(absorbed) from financial assets	(427.325)	(235.640)	(662.965)
Total change in cash and cash equivalents	(95.017)	0	(95.017)

## Equity and comprehensive income

The following table shows the reconciliation of the Company's shareholders' equity determined in agreement with the Italian Accounting Standards with the related shareholders' equity determined in accordance with EU-IFRS, to Date of Transition and to the 31 December 2017.

(In thousands of Euros)	Note	Shareholders' equity as at 01.01.2018	Shareholders' equity as at 31/12/2018	Shareholders' equity as at 31/12/2019	Shareholders' equity as at 31/12/2020
Italian Accounting Principles (Approved Financial Statements)		4.807.739	7.335.363	9.724.602	20.708.961
Error correction	a	(2.100.728	(3.499.822)	(2.069.931)	-
Italian Accounting Principles		2.707.011	3.835.541	7.654.671	20.708.961
Actuarial Evaluation employee benefits obligations	b	(32.454)	(22.123)	(66.898)	(103.441)
IFRS16 Leases	С	-	(18.507)	(44.322)	(61.502)
Adjustment intangible assets revalued on 2020 net of tax benefit	d	-			(7.127.000)
IFRS		2.674.557	3.794.911	7.543.452	13.417.018

The following table shows the reconciliation of the total net result for the year ended 31 December 2018 of the Company determined in accordance with the Italian Accounting policies and the related result determined in accordance with EU-IFRS.

(Euro)	Note	Profit for the year ended 31/12/2018	Profit for the year ended 31/12/2019	Profit for the year ended 31/12/2020
Italian Accounting Principles (Approved Financial Statements)		2.527.625	2.389.239	3.335.699
Error correction	a	(1.365.074)	1.444.697	-
Italian Accounting Principles		1.162.551	3.833.938	3.335.699
Actuarial Evaluation employee benefits obligations	b	(2.996)	5.585	(204)
IFRS16 Leases	С	(18.507)	(25.815)	(17.180)
Adjustment imm.ni revalued in 2020 net of tax benefit	d	-		2.573.000
Net Profit - IFRS		1.141.048	3.813.708	5.891.315
Actuarial Evaluation employee benefits	b	13.327	(50.360)	(36.339)
Coperture Cash flow Hedge		(34.020)	(14.806)	3.171
Overall net Profit - IFRS		1.120.353	3.748.541	5.858.148

## Notes to effects of transition to EU-IFRS

## (a) Evaluation actuarial Of Benefits To dependents

According to the Italian Accounting Standards, the benefits following the employment relationship (e.g. pensions, insurance on life and medical care, etc.) are recorded by accrual during the period of employment of the employee in accordance with the legislation and to contracts of applicable work.

According to the IFRS, benefits to the employment relationship are divided into programs "to defined contributions" and programs "for profit defined".

The TFR fund, according to IAS 19, is similar to a defined benefit program until December 31 2006, to be evaluated on the basis of statistical and demographic assumptions, as well as actuarial methodologies of evaluation. Following the change undergone by Italian legislation, the TFR fund accrued from the 1st of January 2007 was assimilated to a defined contribution programme.

#### (b) Leases

In the financial statements prepared in accordance with the Italian Accounting Standards, the costs for rental fees and leases referring to contracts of *lease* operating were charged as a cost to the income statement based on the criterion of economic competence.

In accordance with IFRS 16, there is no longer any distinction between *lease* operational and *lease* financial for the lessee. Therefore, the Company has taken over an asset for right of use within the asset, representative of the right of use of the asset covered by the contract and, a liability for *lease* within the liabilities, representative of the obligation to make the payments provided in the rental contract or lease. The rental and rental fees were charged, as regards the capital share, to a reduction of the aforesaid debt and regarding to interests to income statement according to the criterion of economic competence.

To define a contract of lease active a financial or operative need to consider the indicators reported by IFRS 16. Based on these indicators, the Company has classified as financial one contract of sub-lease implicit in one contract with one customer detecting consequently an asset financial for a value same to investment net in the *lease*.

Refers to the paragraph "Exemptions Optional to complete adoption Retroactive of EU-IFRS" for onemore analytical description of the approach applied to rental and lease contracts and exemptions Optional adopted by the Company.

#### (c) Adjustment of intangible fixed assets revalued in 2020 net of tax benefit

In the financial statements prepared in accordance with Italian accounting standards, pursuant to the provisions of Article 110 of Decree-Law 104/2020 (converted with amendments by Law 126/2020), during 2020 the company decided to revalue intangible assets for a value of Euro 10,000 thousand.

At the time of the first adoption of the EU-IFRS, this value was reversed as this revaluation is not detectable by the IAS-Adopters as required by the legislation itself.

The Company has availed itself of the right to obtain recognition for tax purposes of the greater value attributed during the revaluation by paying the expected substitute tax of 3%. This benefit will remain with the company despite the transfer of capitalisation at the time of the first adoption of EU-IFRS.

#### Main reclassifications

Adoption of EU-IFRS resulted in some reclassifications that do not have effects on the result of period nor on equity. The main reclassifications made to the balance sheet and financial positions at the Transition Date, 31 December 2018, 2019 and 2020 and to the income statement for the year ended 31 December 2018, 2019 and 2020 are briefly described below.

#### a) Improvements on third-party assets

The improvements on third-party assets, classified in intangible assets according to Italian Accounting Standards, have been reclassified into tangible assets in accordance with IFRS.

The reclassification in question amounts to Euro 19 thousand at January 1, 2018, Euro 173 thousand at December 31, 2018,

Euro 183 thousand at December 31, 2019, Euro 167 thousand at December 31, 2020.

## b) Hedging derivative

The hedging derivative, classified in the risks and charges fund according to Italian Accounting Standards, has been reclassified into current financial liabilities in accordance with the IFRS.

The reclassification in question amounts to Euro 0 thousand at January 1, 2018, Euro 48 thousand at December 31, 2018, Euro 64 thousand at December 31, 2019, Euro 60 thousand at December 31, 2020.

Pedaso, 3 November 2021

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

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# CIVITANAVI SYSTEMS S.p.A. (formerly Civitanavi Systems S.r.l.)

Reissue of the

Independent auditor's report on the

Three-year Financial Statements for the years ended 31 December 2020, 2019 and 2018

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





## Reissue of the Independent auditor's report

To the Board of Directors of Civitanavi Systems S.p.A. (formerly Civitanavi Systems S.r.l.)

#### Opinion

We have audited the three-year financial statements for the years ended 31 December 2020, 2019 and 2018 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter, the "Three-year Financial Statements").

In our opinion the Three-year Financial Statements give a true and fair view of the financial position of the Company as at 31 December 2020, 2019 and 2018 and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted 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 Three-year Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Matters

This report replaces the report dated 29 September 2021 which contained an unmodified opinion. On November 3, 2021, the Company's Board of Directors re-approved the new Three-year Financial Statements for the years ended 31 December 2020, 2019 and 2018, incorporating some reclassifications to the items "Current financial liabilities" and "Non-current financial liabilities", both as of 31 December 2020 and for 31 December 2019, to take into account the failure to comply with a non-financial covenant. The reissued report takes into account the analysis carried out on the documentation received up to the date of this report.

The Three-year 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 figures in the Three-year Financial Statements have been derived from the financial statements approved in the individual financial periods by the Company and prepared in accordance with the Italian regulations and accounting principles governing financial statements. The financial statements for the years ended 31 December 2018 and 2019, were audited by another auditor who, respectively on 10 April 2019 and 8 June 2020, expressed an unmodified opinion on such financial statements. The financial statements for the year ended 31 December 2020 were audited by us and on 3 November 2021 we expressed an unmodified opinion on this financial statement.

The explanatory note "First application of the EU-IFRS" illustrates the effects of the transition to the International Financial Reporting Standards adopted by the European Union and includes information relating to the reconciliation statements required by the international accounting standard IFRS 1.



# Responsibilities of management and those charged with governance for the Three-year Financial Statements

Management is responsible for the preparation and fair presentation of the Three-year Financial Statements in accordance with International Financial Reporting Standards as adopted 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 Three-year Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Three-year 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 Three-year Financial Statements

Our objectives are to obtain reasonable assurance about whether the Three-year 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 (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Three-year Financial Statements.

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

- Identify and assess the risk of material misstatement of the Three-year 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 by 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 Three-year 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;
- Evaluate the overall presentation, structure and content of the Three-year Financial Statements, including the disclosures, and whether the Three-year Financial Statements represent the underlying transactions in a manner that achieves fair presentation.



We communicate with those charged with governance, identified at the appropriate level as required by the ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Bologna, 3 November 2021

Signed by

BDO Italia S.p.A. Gianmarco Collico Partner

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