FINANCIAL STATEMENTS AT 31.12.2021

where ideas become technology

Osai
automation systems

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CHAPTER 1. CORPORATE BODIES OF THE PARENT COMPANY

Board of Directors

Chairperson	Mirella Ferrero
Managing Director	Fabio Benetti
Managing Director	Virgilio Giorza
Independent Director	Sergio Duke
Independent Director	Paola Marini

Board of Statutory Auditors

Chairperson	Ignatius Pellecchia
Regular Auditor	Alberto Pession
Regular Auditor	Luca Barbareschi
Alternate Auditor	Alessandro Cislaghi
Alternate Auditor	Gabriella Bastia

Independent Auditors

BDO Italia S.p.A.

CHAPTER 2. OSAI GROUP PROFILE

PRESENTATION OF THE GROUP

OSAI Group is a leading international player in the design and manufacture of machines and systems for the automation of industrial processes, in particular in the assembly and *testing* of high-tech components for the semiconductor,*automotive* and electronic manufacturing industries.

OSAI Group's objective is to consolidate its reference position in the world market of solutions for the automation of industrial processes without setting limits on the fields of application, exploiting its technological portfolio and experience gained in over 30 years of activity.

The solutions offered by the OSAI Group are standard systems or special machines for the assembly and testing of high-tech components for the semiconductor industry, the*automotive* industry and the manufacturing of electronic components in general.

Each system is customized or created ad *hoc* for the customer and is equipped with the latest technologies, such as laser technology and artificial intelligence.

The reference markets in which the Group operates are crossed by favorable long-term *mega trends*, linked to digitization, technological innovation and the *Green* and *Circular Economy*.

The Group believes in a business model that can combine both tradition and modernity, inspired by the centuries-old tradition of Italian ingenuity, and facing the economic challenges of the present and the future in an innovative, creative way. A Group that centers its attention on the valorization of People and sustainable, balanced growth among the various subjects that take part in its realization.

With this philosophy, the OSAI Group sees itself not only as a company that, responding to market laws, maximizes profits and private gain, but as a civil society subject occupying an important role in the community and taking on economic, social and cultural responsibilities.

The OSAI Group believes that promoting sustainable development and a socially-conscious business idea guarantees both greater global competitiveness and the long-term stability of its *business*.

The Board of Directors' meeting of 28 March 2022 approved these draft Financial Statements for financial year 2021, the consolidated financial statements and the Directors' Report.

THE BUSINESS MODEL

OSAI Group can boast a portfolio of technical skills and experience enabling it to establish itself as a unique *player* in the domain of strategic technologies, able to solve complex production problems, focused in particular on assembly and testing processes with advanced measurement and control technologies.

The OSAI Group is organized in Divisions. Their objective is to follow particular market areas or sectors of interest through specific solutions based on shared and transversal technologies.

AUTOMATION DIVISION

The focus of the division, core business of the OSAI Group since its creation, is on the so-called "light" Automation, that is the automation of small and medium components and systems where the OSAI Group is highly specialized. The "machine-types" produced by this division include, in particular, manual or automatic workbenches and units, tables combining different operations, complete semi-automatic lines, flexible modules and vertical warehouses.

Established initially to provide customized assembly and testing lines to the *automotive* industry, the solutions designed are now used to meet customer needs, in various areas with particular development in the *advanced mobility* and *e-mobility* fields.

ELECTRONICS AND APPLIED LASER DIVISION

The division was founded at the end of the nineties to provide industrial laser applications for micro-mechanics, developed thanks to the experience gained in low power industrial laser applications with advanced technologies; particularly in the cutting, welding, drilling and marking processes for small metal or plastic components, requiring extreme processing precision. Starting from the early 2000s, and thanks to the abilities developed by the OSAI Group over the years, specific applications for the electronics industry have been added, leading to the "*Neo*" platform designed to provide the electronics industry with a wide range of systems to improve the efficiency of certain processes such as marking, assembly and separation of electronic boards.

The systems produced by this division are for a variety of sectors and include, in particular, machines to mark, cut and weld different types of components (shapes and materials) also for large-scale production, complete assembly systems, machines for mechanical and Laser separation of PCB*(Printed Circuit Board*) panels, also of the flexible type.

SEMICONDUCTOR DIVISION

The division was created in 2011 thanks to the skills and successful experience gained by the Group in the automation and electronics industry. Its services are offered to the leading global semiconductor manufacturers. These solutions are for the handling and testing of MEMS*(Micro Electro-Mechanical Systems*) sensors through one or more stimuli (acoustic, movement, electrical contact, pressure, etc.) defined based on the specific application for which the sensors are needed.

The division also develops complex *custom* test lines for*power modules*; *burn-in-test* automation systems with loading, unloading, pre-test and visual inspection functions; systems for the automatic assembly of *power modules*, including laser marking; and compact conditioning chambers.

SERVICE DIVISION

The division's main objective is to provide technical support to its customers *worldwide*.

The services offered range from technical assistance on the products sold by the Group, to the sale of spare parts and specific *training* services for the customer's technical staff.

Thanks to a broad network of *service providers* all over the world and to use of the best information technologies, such as augmented reality, the field staff can activate an audio/video streaming session and share its point of view with the operator remotely increasing the real or remote presence of Group staff all over the world.

GROUP STRUCTURE

As at 31 December 2021, the OSAI Group is divided into a structure headed by OSAI Automation System S.p.A., which holds 100% of three foreign companies, representing the scope of consolidation.

The key figures for subsidiaries are summarized in the following chart:

OSAI AUTOMATION SYSTEM S.P.A.
PARENT COMPANY

OSAI AUTOMATION SYSTEM GmbH

Registered office:
Elsenheimerstr, 59,
Munich, Germany
Share capital in currency =
27,500.00 Euro
Share held: 100%

OSAI AUTOMATION SYSTEM USA Corporation

Registered office:
10000 N. Central Expy, Suite
710 Dallas, Texas, USA
Share Capital in currency =
260,000.00 USD
Share held: 100%

OSAI AUTOMATION SYSTEM (Dalian) Co., Ltd.

Registered office:
no. 1198 Liaohe West Road,
Dalian, Liaoning Province,
People's Republic of China
Share Capital in currency =
¥ 1,172,942.50
Share held: 100%

CHAPTER 3. INTRODUCTION

Dear Shareholders:
The year ended December 31, 2021 reports a Group profit of 906,000 euros.

The Notes to the Financial Statements provide information on the consolidated financial statements as of 31/12/2021. In this document, in accordance with the provisions of Art. 2428 of the Italian Civil Code, we provide you with news relating to the situation of the OSAI Group and information on management trends. This report, prepared with values expressed in thousands of euros, is presented in support of the financial statements for the purpose of providing income, assets, financial and management information of the OSAI Group accompanied, where possible, by historical elements and forward-looking assessments.

With regard to the Consolidated Financial Statements, which are based on uniform valuation criteria and the line-by-line consolidation method, the scope of consolidation is specified in the following table:

Name	Registered office	Share capital in currency	Shareholding held by the Group
OSAI AUTOMATION SYSTEM S.P.A.	Via Sondrio, 13/I 10144 Torino, Italy	€1,598,640.90	Parent Company
OSAI AUTOMATION SYSTEM GmbH	Elsenheimerstr, 59 Munich, Germany	€ 27,500.00	100%
OSAI AUTOMATION SYSTEM USA Corporation	10000 N. Central Expy, suite 710 Dallas TX, USA	USD 260,000.00	100%
OSAI AUTOMATION SYSTEMS (Dalian) Co., Ltd.	No. 119B Liaohe West Road, Dalian, Liaoning Province, Peo-ple's Republic of China	¥ 1,172,942.50	100%

With regard to equity investments in other companies, in addition to the valuation at cost of the 5.56% equity investment in the share capital of the company ICO NUOVO AMPLIAMENTO S.r.l., already purchased during the 2018 financial year at a cost of € 100,000 (equal to the value recorded in the financial statements), it should be noted that the investment in the Consorzio Interazien dale Canavesano per la Formazione Professionale (C.IA.C. s.c.r.l.), equal to 25 shares purchased on 09/12/2021 at a cost of € 25,000 (equal to the value recorded in the financial statements), was also valued at cost.

It should be noted that the scope of consolidation has not changed since the previous financial year.

This Annual Financial Report as of 31/12/2021 of the OSAI Group has been prepared in compliance with the Issuers' Regulations of EURONEXT Growth Milan and in accordance with the IFRS international accounting standards issued by the International Accounting Standards Board and approved by the European Union, as well as with the laws and regulations in force in Italy.

The financial statements for the year ended on 31/12/2021 are the first to be prepared in accordance with IAS/IFRS. In compliance with IFRS 1, which sets out the rules for the first-time adoption of IFRS, the OSAI Group has restated, in accordance with the new accounting standards adopted, the balance sheet and financial position as of the transition date - 01/01/2020 - which corresponds to the beginning of the first period used for comparison, and the balance sheet and financial position, income statement and cash flow statement for the financial year ended 31/12/2020 - the period presented for comparison purposes as of the date of the first IAS/IFRS financial statements.

Details of the results of the changes in the accounting standards adopted are analyzed at the end of this report.

This annual financial report has been audited.

CHAPTER 4. DIRECTORS' REPORT OF THE OSAI GROUP

MARKET TRENDS AND DEMAND DEVELOPMENT

The OSAI Group through its Divisions operates in different markets and contexts that affect its performance and prospects for growth and development.

In order to understand the Group's performance and management, it is essential to be aware of the context and trends in the markets in which the Group operates and that are briefly described below.

SEMICONDUCTOR MARKET

The Semiconductor market, which involves the Group's division by the same name, is positively affected by the growing demand of the end-application markets in which semiconductors are used and which are increasingly becoming enabling factors for technological development and digitalization in various fields and applications, such as that linked to the electric transition of mobility, self-driving and the spread of electronic devices*(home and smart devices*).

The process of transition from traditional to electric mobility has further increased the demand for semiconductors in a market with a lack and inadequate capacity to meet the demands due to the current *shortage* on *microchips*. This aspect has highlighted the strategic importance of independence in the production of semiconductors of European countries from Asian ones, a fundamental aspect to ensure the technological development taking place at the global level.

This constantly evolving scenario now sees the main semiconductor manufacturers engaged in unprecedented investments supported by governments, with the sole aim of increasing production, increasing their independence and preventing that the current shortage of supplies adversely affects the growth forecast for the coming years.

Analyst estimates confirm that the value of global microchip production is set to double by 2030 from the current $500 billion to $1 trillion.

Europe through the *EU Chips Act* has earmarked over €43 billion for public and private investment to support the sector with the goal of reaching 20% of global *microchip* production by 2030.

China, in its 14th Chinese Five-Year Plan, has defined investments in the industry to become the world's leading *microchip maker* by 2030.

In this favorable context of growth of the sector, the Group is positioned in the semiconductor market as a niche operator able to provide customized applications and *mass production*, intended for: assembly and *testing* of signal semiconductors (pressure, gas and inertial) for *consumer* and *automotive* use, testing of *microchips* for autonomous driving (ADAS),*handling* and *testing* of *power modules* for electric mobility and automation in the production processes of *Silicon Carbide (SiC)*.

The OSAI Group has among its customers the largest global multinationals in the semiconductors field with which it develops dedicated solutions, often in *co-development*, for the rapidly expanding markets in different areas of the globe including China and South East Asia, the United States and Europe.

GREEN MOBILITY *MARKET*

The ecological transition of mobility is of extreme interest to OSAI as it allows the Group to make the most of its technological portfolio and apply it to the various production processes essential in the manufacturing of components used in the transition from endothermic to electric traction.

The global electric car market alone is booming, with data (source: Jato) on sales in the sector stating that between 2020 and 2021, battery-powered cars will have doubled their market share from 3.1% to 6.0%. In absolute terms, up to 4.2 million registrations took place in 2021. In 2020, there were 2.01 million while in 2019, 1.4 million.

China is now the leading and driving market for zero-emission mobility. In 2021, about 50% of total electric car sales occurred in China.

In Europe, sales of electric cars have been driven by Volkswagen and Stellantis, which have recorded the best numbers, followed by Tesla, a manufacturer that keeps *its leadership* in the sector and can count, unlike others, on a strong presence in all major markets.

Thanks to the 2021 boom, the total number of electric cars on the roads worldwide has exceeded 10 million according to *IEA(International Energy Agency*), plus another million or so electric vans, heavy trucks and buses.

In this fast growing sector, the OSAI Group can boast of its presence with several successful applications for the major parties in this industry including: assembly and testing of *power modules* (Semiconductor Division), assembly and testing of electronic safety units for batteries (Automation Division), assembly and testing of battery packs for electric traction (Automation and Applied Laser Division).

Of particular interest to the OSAI Group is the application, through its systems, of Laser welding processes intended for the production and assembly of battery packs for electric traction. The company has been involved in this field since 2015, thanks to the collaboration with the former FIAT Research Center. In 2021, the Company has further perfected its processes by successfully implementing the first applications for the *motor sports* sector and now focused on large productions.

Recent studies show that in order to support electric vehicle manufacturing at the projected rates (15 million electric cars in 2030), the manufacturing capacity of battery cell plants by 2030 will need to be over 789 GWh, or 14% of the global production of 5,452 GWh (estimated for 2030).

To ensure this productivity, 27 *giga-factories* will be added by 2030 in addition to the current 7 major manufacturers in Europe. Among these factories there is also ITALVOLT that will be inaugurated in 2024 with a facility of 300,000 square meters located on the site of the former Olivetti in Scarmagno, intended for the production and storage of lithium-ion batteries for electric vehicles, with an initial production capacity of 45 GWh, which may reach 70 GWh. ITALVOLT founder and CEO Lars Carlstrom had the opportunity to visit in April 2021 OSAI's manufacturing sites, which are just a few kilometers away from ITALVOLT's future headquarters, with the goal of including the Group among the potential suppliers of the future *giga-factory*.

ELECTRONICS MARKET

Process automation in the field of printed circuit board *PCB* manufacturing is one of the historical sectors in which the company's Electronics Division has been operating for several years. Printed circuit boards are used in various end-use industries such as industrial and consumer electronics, medical, aerospace and defense,*automotive*,*IoT*, telecommunications, *home appliance*, and more.

The global market for printed circuit boards grew in 2021 at a rate (CAGR) of 6.7% compared to 2020, reaching $55 billion (source: Researchandmarkets.com). The strong growth is primarily due to post-Covid-19 recovery and recovery in the areas of the world most affected by the pandemic. Analyst estimates predict the market will reach $68.38 billion in 2025, with a CAGR of 5.9%.

The Asia Pacific area is the world's largest region in the printed circuit board market while in the Eurozone, Germany is expected to grow 7.5% and the rest of Europe's market will reach $6 billion by 2025.

Significant stimuli for the growth of the sector will originate as an inevitable consequence of the huge investments that semiconductor manufacturers will make in flexible *PCB* production technology increasingly adopted in aerospace, military, *automotive* and *IoT* electronics applications.

Increased sales of electric vehicles and charging stations are also expected to further drive the growth of the printed circuit board market in the coming years.

In this context of market recovery and expansion, the Company has been able to offer for over 15 years, many solutions both standard and customized for the assembly, cutting and marking of printed circuit boards, with particular focus in precision cutting and without carbonization of flexible circuits through the use of cutting-edge laser sources.

In Europe, the increasing use of electronics for automotive applications is leading to the growing application of flexible PCBs in the automotive industry. The flexible printed circuit board market in the U.S. is estimated to be $1.8 billion in the year 2021 with a market share of 14.37% of the global market. China, according to the forecast, will reach an estimated global market size of $5.3 billion in 2026, with a CAGR of 11.4% in the 2021-2026 period.

MEDICAL AND PHARMACEUTICAL MARKET

The systems for the medical market represent for OSAI the maximum expression of the use of its technological portfolio and of its experience, acquired over its thirty-year history. Several divisions are involved in this sector, such as the Applied Laser division and the Automation division. Several end-use applications are for the production of coronary and vascular stents, welding processes of titanium shells for *pacemakers*, assembly and testing of infusion systems and other medical devices for drug delivery, laser applications on biological tissues for the production of heart valves and more.

The global medical device market recorded a market value of over $434 billion in 2021 (source: OCEAN Report) and is estimated to reach $625 billion by 2027 with a growth rate (CAGR) of 6.3%.

Many factors are positively influencing the growth of this sector including: the increased incidence of chronic diseases that are fueling the preference for diagnostic and other clinical tests and consequently the growth rate of the medical device market; the advent of innovative medical devices for home monitoring, which led to an increase in the launch of multiple medical devices on the market and contributed to further drive the growth of the sector.

Last but not least, the growing elderly population in several countries indirectly increases the use of medical devices for various vital functions. For example, in India, the geriatric population is projected to be 193.8 million in 2031, including 92.9 million elderly males and 100.9 million elderly females. Such high statistics indicate high medical device use in high-population countries such as India and China, among others.

In this favorable context, OSAI offers to the main medical sector operators a wide and consolidated technology portfolio that can automate and optimize the essential processes in the production of medical devices such as: precision micromechanics (laser assembly and micromachining), laser welding and cutting (of plastic, biological and metallic materials), and optical and functional tests to ensure high quality standards (precision optical inspections using artificial intelligence).

Over the course of 2021, the Group introduced to the market a fully automated system for the assembly and testing of infusion systems for application in the *pharma* world. The application, developed for a well-known Italian customer, is of particular interest as it exploits the advanced optical inspection technology developed by the Group. It is called *Osai Inspection System*. The vision system adopted can recognize and identify a multitude of possible defects on the components loaded on the machine, in compliance with the tolerances set in the drawings, thus ensuring very high quality standards.

Summary of OSAI Group results

SUMMARY OF GROUP RESULTS	31/12/2021	31/12/2020	Change	% Chg
REVENUE *(Eur/000)*	38,827	23,464	15,363	65.47%
PRODUCTION VALUE *(Eur/000)*	32,613	33,152	(539)	-1.63%
GROSS MARGIN *(Eur/000)*	21,026	20,329	697	3.43%
GROSS MARGIN %	64.47%	61.32%		
EBITDA *(Eur/000)*	4,236	4,572	(336)	-7.35%
EBITDA %	12.99%	13.79%		
EBIT *(Eur/000)*	1,315	1,821	(506)	-27.79%
EBIT %	4.03%	5.49%	(0)	
NET PROFIT *(Eur/000)*	906	963	(57)	-5.92%
NET PROFIT %	2.78%	2.90%		
ORDERS *(Eur/000)*	37,495	27,298	10,197	37.35%
ORDER PORTFOLIO *(Eur/000)*	21,211	10,207	11,004	107.81%
NET FINANCIAL DEBT *(Eur/000)*	11,062	15,384	(4,322)	28,09
PERSONNEL *(average number)*	201	184	17	9.24%

The %'s are always considered as a ratio of the value of production.

Operating performance

2021 was a two-speed year, with a negative first half of the year due to the effects of the third wave of the pandemic and a second half of the year decidedly positive and in strong recovery, with record orders for the Group.

The negative first half of the year had an impact on the value of production, which was already affected by 2020 quantity of orders lower than expected and by market sectors subject to great uncertainty, such as *automotive sector*, disrupted by the transition to electrification and penalized by the collapse of sales as a result of the supply chains crisis.

Although revenues from sales for the year, amounting to 38,827,000 euros, increased compared to the previous year (+65.47%) mainly due to the postponement of the installation of some relevant orders from 2020 to 2021, the OSAI Group recorded a value of production of 32,613,000 euros, slightly down (-1.63%) compared to 2020.

The recovery was consolidated in the second half of the year 2021, characterized by a high *order intake*, which as of 31/12/2021 recorded the figure of 37,495,000 euros, the best order intake in its thirty-year history.

Also for the year 2021, the OSAI Group confirms the positive trend of its Semiconductors Division which, thanks to the growth in demand at the global level, recorded revenues from sales almost doubled (+89.6%) compared to the previous year for a value of over 18,076,000 euros. This growth was further confirmed by the division's own orders, which saw a 47% increase over the 2020 period. It should also be pointed out the constant growth in sales for the Service division, amounting to 3,197,000 euros, which through after-sales services recorded a growth of 82.6% compared to the previous year period.

The presence of the OSAI Group's products in different markets has proven to be more successful than ever and a strategic element that could provide the resilience needed to overcome global crises and ensure continuity of the business to the Group in the future.

It should be noted, as a critical factor, the negative impact of the *shortage* on supply chains, which caused production slowdowns in the second half of 2021 and that the Group managed through targeted acquisition strategies and diversification of supplies in the various global markets.

Overall, 2021 was a year of growth over 2020 with remarkable results. The Group has reconfirmed, as in 2020, its great resilience and reaction ability, despite the unfavorable economic conditions.

Moreover, as it happened in 2020, the Group supported its employees by not resorting to the use of social protection programs (such as, for example, the CIG) but, on the contrary, by expanding the existing welfare plans, even when, due to pandemic and consequent restrictions due to Covid-19, production slowdowns occurred. This virtuous choice, which involved fully bearing the cost of human resources not employed in other activities, is estimated to have had an impact of approximately 1 million euros on personnel costs in FY 2021.

With regard to the foreign subsidiaries, the activities carried out in support of the Parent Company are of a commercial nature. In the case of the American and Chinese subsidiaries, activities are essentially attributable only to after-sales services.

In particular:

- **Osai Automation System GmbH**: having completed the corporate reorganization phase in accordance with the multi-year plan that has seen - among other things - the strengthening of the local commercial presence, during 2021 there was a significant increase in the value of production for the sale and delivery of machines and systems in the Automation and Electronics sectors, which led to a profit of 24,477 euros as of 31/12/2021
- **Osai Automation Systems (Dalian) Co., Ltd**: the Chinese subsidiary, further consolidated its operating activities, highlighting an increase in after-sales services related - essentially - to the continuation of the mobility restrictions imposed by the pandemic that made it possible to manage, through local staff, both the installation of machines and systems and *after-sales* service in the *Far East*. In view of the fact that the subsidiary recharged its operating costs to the Parent Company, the financial year under review, it essentially broke even (profit for the year of 424 euros).
- **Osai Automation System USA Corporation**: the American subsidiary recorded a drop in the value of production due to its focus - in the second half of the year - of the subsidiary's activities only on after-sales service. The corresponding drop in fixed costs also made it possible to post a profit of 6,930 euros as of 31/12/2021.

The share of revenues from export sales decreased compared to the previous years (85% in 2020) and is now above 77%, due to the sale of several significant orders in Italy but also to the effects of the pandemic that are leading to a gradual shift in production (the so-called *reshoring*), whose effects will be visible in the upcoming periods.

Commercial performance

Over the course of the 2021 period, the OSAI Group's order intake (including*after-sale service*) from customers outside the Group alone amounted to €37,495 million, up 37.35% from €27,298 million as of 31/12/2020.

The order intake of the Semiconductor Division amounted to €22,798 million (+47.4% compared to FY 2020), that of the Automation Division amounted to €5,431 million (-12.4% compared to FY 2020), that of the Electronics and Applied Laser Division amounted to €6,628 million (-13.6% compared to FY 2020) and finally that of the Service Division amounted to €3,477 million (+87.4% compared to FY 2020).

The consolidated order portfolio (not including after-sale service) as of 31/12/2021 amounted to 21,211 million euros, up sharply from 10,207 million euros as of 31/12/2020.

Operating Performance

A summary of the main items in the consolidated income statement of the OSAI Group is provided below:

MAIN ECONOMIC DATA (Eur/000)	31/12/2021	31/12/2020	Change	% Chg
Revenue from sales	38,827	23,464	15,363	65.47%
Variation of operating inventory	(9.925)	7,271	(17,196)	-236.50%
Other revenues	3,711	2,417	1,294	53.54%
Value of production	**32,613**	**33,152**	**(539)**	**-1.63%**
Purchases of material	(11,587)	12,823	1,236	-9.64%
Gross Margin	**21,026**	**20,329**	**697**	**3.43%**
Personnel costs	(12,671)	(11,922)	(749)	-6.28%
Other operating costs	(4,119)	(3,835)	(284)	7.41%
Gross operating margin (EBITDA)	**4,236**	**4,572**	**(336)**	**-7.35%**
Amortization, depreciation & write-downs	(2,671)	(2,751)	80	-2.91%
Non-recurring income and charges	(250)	-	(250)	0.00%
Operating profit (EBIT)	**1,315**	**1,821**	**(506)**	**-27.79%**
Financial management	(749)	(814)	65	-7.99%
Pre-tax profit (loss)	**566**	**1,007**	**(441)**	**-43.79%**
Income taxes	340	(44)	384	-872.73%
Net profit (loss) of the Group	**906**	**963**	**(57)**	**-5.92%**

The **Production Value** as of December 31, 2021 amounted to 32,613,000 euros, down by 539,000 euros compared to the previous period (33,152,000 euros).

The **Gross Margin** as of 31/12/2021 is equal to 21,026,000 euros, up 697,000 euros compared to 20,329,000 euros as of 31/12/2020; the margin as a percentage of the production value is 64.47% and is up 3.43% compared to 31/12/2020.

EBITDA as of 31/12/2021 is 4,236,000 euros, or 12.99% of the production value compared to 4,572,000 euros, or 13.79% of the production value as of 31/12/2020.

EBIT as of 31/12/2021 amounted to 1,315,000 euros, equal to 4.03% of the production value, down by 506,000 euros compared to the 1,821,000 of 31/12/2020.

Having an impact on the above are:

- the amortization of intangible fixed assets totaling 793,000 euros (related to development costs of 735,000 euros);
- the amortization of tangible fixed assets totaling 1,761,000 euros
- the write-down of receivables and fixed assets totaling 117,000 euros;
- non-recurring charges linked to settlements of legal disputes totaling 250,000 euros.

The **Net Profit** as of 31/12/2021 is 906,000 euros (963,000 euros as of 31/12/2020).

With reference to the application of the IFRS 8 accounting standards (*segment reporting*) and based on the organizational structure of the OSAI Group, the Group's economic indicators for the various divisions (operating segments) are provided below, compared to the corresponding period of the previous financial year:

GROUP ECONOMIC INDICATORS AT 31/12/2021	TOTAL SALES *(Eur/000)*	VALUE OF PRODUCTION OPER. (1) *(Eur/000)*	MOL Level 3 (2) *(Eur/000)*	MOL 3 Margin %
Automation	12,656	5,739	554	10%
Electronics and Applied Laser Division	4,898	4,775	1,631	34%
Semiconductors	18,076	16,728	5,942	36%
Service	3,197	3,197	468	15%
Services non-allocated	-	-	(6.759)	
TOTAL	**38,827**	**30,439**	**1,836**	**6%**

GROUP ECONOMIC INDICATORS AT 31/12/2020	TOTAL SALES *(Eur/000)*	VALUE OF PRODUCTION OPER. (1) *(Eur/000)*	MOL Level 3 (2) *(Eur/000)*	MOL 3 Margin %
Automation	7,983	9,688	1,991	21%
Electronics and Applied Laser Division	4,198	3,968	1,199	30%
Semiconductors	9,533	14,609	5,580	38%
Service	1,750	1,750	134	8%
Services non-allocated	-	-	(6,017)	
TOTAL	**23,464**	**30,015**	**2,887**	**10%**

CHANGES 2021/2020	TOTAL SALES *(Eur/000)*	VALUE OF PRODUCTION OPER. (1) *(Eur/000)*	MOL Level 3 (2) *(Eur/000)*	MOL 3 Margin %
Automation	4,673	(3,949)	(1,437)	-11%
Electronics and Applied Laser Division	700	807	432	4%
Semiconductors	8,543	2,119	362	-3%
Service	1,447	1,447	334	7%
Services non-allocated	-	-	(742)	
TOTAL	**15,363**	**424**	**(1,051)**	**-4%**

(1) Value of production not including capitalizations

(2) Margin generated by the individual division including only the operating margin equal to the EBITDA with exclusion of capitalizations

It should be noted that the revenues for 2021 have been influenced by the new IAS/IFRS accounting standards, which provide for their recognition at the time of installation of the goods sold. Since many installations were delayed in the latter months of the year 2020 due to the pandemic, the effects on revenues were most apparent in FY 2021.Comparison of FY 2020 revenue data with FY 2021 data may not be meaningful. A comparison with the production value between the two periods is more representative.

Below is a brief analysis of said data by division.

AUTOMATION DIVISION

The division deals with the design, manufacturing and marketing of custom automatic*lines* and systems for assembly processes, testing and inspection of components in various markets such as: *automotive, e-mobility*, medical and *home appliance*.

Sales increased by 59% compared to the previous FY, mainly due to the delivery of major contracts started in 2020 with high lead times. The negative effects of Covid-19 and the restrictions resulting from the pandemic between 2020 and 2021 had a major impact on the flow of incoming orders to the division, significantly reducing its production value during the year (-40%) and related margins (-11%).

ELECTRONICS AND APPLIED LASER Division

The division deals with the design, manufacturing and marketing of standard or customized LASER systems for printed circuit board manufacturers or for micromechanical applications, such as those used in the production of medical devices.

Sales increased 17% compared to the previous period driven by growth in global target markets, such as electronic and medical devices. There was a significant increase in margins of +4% compared to the 2020 figure of 30%.

SEMICONDUCTOR Division

This division deals with the design, manufacturing and marketing of standard or custom automated systems for the *handling* and *testing* of power and signal semiconductors for global semiconductor manufacturers.

Sales recorded a considerable increase of 90% compared to what was achieved in the previous FY, due to the global surge in demand for semiconductors, which prompted global manufacturers to increase their production capacities in 2021 and allowed the division to achieve a greater production value, which increased compared to the previous year (+14%), although with a slightly lower margin, equal to 36%, influenced by the effects of Covid-19 and by the higher costs associated to entering in new prospectively profitable market areas, such as those aimed at the production of *Silicon Carbide* (SiC).

SERVICE Division

This division provides after-sales services to the Group's customers worldwide, through the provision of *on-site*or remote technical assistance and spare parts.

Sales recorded a sharp increase of 83%, compared to the previous FY, which was affected by the pandemic and that increased the purchase of services and spare parts critical to ensure continuity in customers' production in different areas of the world. There was also a sharp increase in the margin achieved by the division (+7%) compared to the same figure in the previous year (8%).

For further details and comments on the above tables, please refer to the more detailed sector information included in the Explanatory Notes.

The following table shows consolidated revenues, broken down by geographical area, as of 31/12/2021, compared to the figures for the previous period:

CONSOLIDATED REVENUES BY GEOGRAPHICAL AREA	31/12/2021		31/12/2020	
	(Eur/000)	%	*(Eur/000)*	%
ITALIA	8,795	23%	3,385	14%
REST OF EUROPE	12.433	32%	9,793	42%
AMERICA	7,376	19%	3,946	17%
ASIA	10,223	26%	6,340	27%
TOTAL	**38,827**	**100%**	**23,464**	**100%**

The above table shows that the OSAI Group's turnover as of December 31, 2021, compared to the same period of the previous FY, shows an increase in all the geographical areas covered.

Statement of financial position

In order to provide a clearer picture of the Group's performance and results of operations, the tables below show reclassifications of assets and liabilities and financial data, as well as other summary data deemed significant in relation to the activities carried out by the OSAI Group.

A reclassified balance sheet is presented below:

STATEMENT OF FINANCIAL POSITION (Eur/000)	31/12/2021	31/12/2020	Change
Tangible and intangible fixed assets	15,006	14,249	757
Investments and other non-current assets	642	389	253
Deferred tax assets	829	542	287
NON-CURRENT ASSETS (A+B+C)	**16,477**	**15,180**	**1.297**
Inventories	22,459	32,246	(9,787)
Trade receivables	11,566	9,683	1,883
Trade payables	(6,158)	(4,961)	(1,197)
Advances	(12,117)	(20,292)	8,175
OPERATING WORKING CAPITAL (E+F+G+H)	**15,750**	**16,676**	**(926)**
Other current assets and liabilities	(1,745)	(1,913)	168
Deferred current tax assets and liabilities	424	203	221
Provisions for risks and employee benefits	(3,901)	(3,373)	(528)
Deferred tax liabilities	(17)	(162)	145
Other non-financial assets and liabilities	-	-	-
NET INVESTED CAPITAL (D+I+J+K+L+M)	**26,988**	**26,611**	**377**
NET DEBT	**11,062**	**15,384**	**(4,322)**
NET EQUITY	**15,926**	**11,227**	**4,699**
Total Shareholders' Equity of parent company shareholders	*15,926*	*11,227*	*4,699*
Shareholders' Equity of non-controlling interests	-	-	-
FINANCING SOURCES	**26,988**	**26,611**	**377**

The **Operating Working Capital** decreased by a total of 926,000 euros compared to the previous period.

The most significant changes in assets concern:

- an increase in non-current assets totaling 1,297,000 euros, primarily due to investment in development costs, the use of liquidity in investment funds and an increase in deferred tax assets;
- the overall decrease in the value of inventories amounting to 9,787,000 euros, primarily due to the completion of contracts in progress at the end of the previous FY;
- advances from customers decreased by 8,175,000 euros compared to the previous FY. The change is related to the reduction in the value of inventories described in the previous point, since in 2021 advances were permanently acquired for sales being installed as of 31/12/2020;
- an increase in trade receivables of 1,883,000 euros, due to longer average collection times for sales invoices, deriving from the lengthening of the installation times for foreign job orders initiated in the previous FY and not completed within the standard timeframe due to logistical difficulties linked to the Covid-19 pandemic;
- an increase in trade payables of 1,197,000 euros is primarily due to the Company's decision to increase its inventories in the last months of the year.

Details of the Group's net debt are shown below:

	NET DEBT (Eur/000)	31/12/2021	31/12/2020	Change
A	Cash flow	38	40	(2)
B	Bank deposits	9,141	4,680	4,461
C	Other cash assets	-	-	-
D	***Liquidity (A+B+C)***	**9,179**	**4,720**	**4,459**
E	***Other financial assets available***	**1,472**	**1,265**	**207**
F	Current bank payables	3,106	2,765	341
G	Current account of non-current borrowings	3,466	2,309	1,157
H	Current account of Bonds issued	358	328	30
I	Other current financial payables	-	-	-
J	Current financial liabilities deriving from the application of IFRS16	697	754	(57)
K	***Current financial borrowings (F+G+H+I+J)***	**7,627**	**6,156**	**1,471**
L	***Current net financial position (credit)/debit (K-D-E)***	***(3,024)***	***171***	***(3,195)***
M	Non-current bank payables	11,239	10,928	311
N	Non-current account of Bonds issued	-	358	(358)
O	Other non-current financial payables	-	32	(32)
P	Non-current financial liabilities deriving from the application of IFRS16	2,847	3,895	(1,048)
Q	***Non-current financial debt (M+N+O+P)***	***14,086***	***15,213***	***(1,127)***
R	**Net debt (credit)/debit (L+Q)**	**11,062**	**15,384**	**(4,322)**
	of which for payables from the application of IFRS16	*3,544*	*4,649*	*(1,105)*
	of which debt at net of the application of IFRS16	***7,518***	***10,735***	***(3,217)***

The Group's Condensed Cash Flow Statement is presented below:

SUMMARY OF CASH FLOWS (Eur/000)	31/12/2021	31/12/2020	Change
Cash flow from operations	3,687	3,354	333
Cash flow from investment management	(4,438)	(2,539)	(1,899)
Flow from banking and financing activities	1,330	(2,527)	3,857
Flow on Capital	3,880	4,602	(722)
Total cash flow	**4,459**	**2,890**	**1,569**

As of 31/12/2021, the OSAI Group's net debt at amounts to 11,062,000 euros, marking an improvement of 4,322,000 euros on the 15,384,000 euros recorded as of 31/12/2020. The decrease in financial exposure is linked both to the new liquidity generated by the capital increases carried out during 2021, following the warrants issued during the listing phase, and to the good performance of the operating financial management.

Operating and financial performance of the Parent Company

For the sake of completeness, the income statement, balance sheet and financial position of the Parent Company are shown below:

MAIN ECONOMIC DATA (Eur/000)	31/12/2021	31/12/2020	Change	% Chg
Revenue from sales	38,735	23,161	15,574	67.24%
Variation of operating inventory	(9.925)	7,420	(17,345)	-233.76%
Other revenues	3,711	2,417	1,294	53.54%
Value of production	**32,521**	**32,998**	**(477)**	**-1.45%**
Purchases of material	(11,585)	(12,816)	1,231	-9.61%
Gross Margin	**20,936**	**20,182**	**754**	**3.74%**
Personnel costs	(12,449)	(11,785)	(664)	5.63%
Other operating costs	(4,306)	(3,988)	(318)	7.97%
Gross operating margin (EBITDA)	**4,181**	**4,409**	**(228)**	**-5.17%**
Amortization, depreciation & write-downs	(2,666)	(2,744)	78	-2.84%
Non-recurring income and charges	(250)	(200)	(50)	25.00%
Operating profit (EBIT)	**1,265**	**1,465**	**(200)**	**-13.65%**
Financial management	(727)	(810)	83	-10.25%
Pre-tax profit (loss)	**538**	**655**	**(117)**	**-17.86%**
Income taxes	340	(39)	379	-971.79%
Net profit/(loss) for the period	**878**	**616**	**262**	**42.53%**

	STATEMENT OF FINANCIAL POSITION (Eur/000)	31/12/2021	31/12/2020	Change
A	Tangible and intangible fixed assets	14,975	14,214	761
B	Investments and other non-current assets	1,449	1,196	253
C	Deferred tax assets	823	538	285
D	**NON-CURRENT ASSETS (A+B+C)**	**17,247**	**15,948**	**1,299**
E	Inventories	22,504	32,291	(9,787)
F	Trade receivables	11,461	9,772	1,689
G	Trade payables	(6,343)	(4,996)	(1,347)

H	Advances	(12,078)	(20,224)	8,146
I	**OPERATING WORKING CAPITAL (E+F+G+H)**	**15,544**	**16,843**	**(1,299)**
J	Other current assets and liabilities	(1,725)	(1,878)	153
K	Deferred current tax assets and liabilities	419	203	216
L	Provisions for risks and employee benefits	(3,901)	(3,373)	(528)
M	Deferred tax liabilities	(17)	(162)	145
N	Other non-financial assets and liabilities	-	-	-
O	**NET INVESTED CAPITAL (D+I+J+K+L+M)**	**27,567**	**27,581**	**(14)**
P	**NET DEBT**	**11,201**	**15,847**	**(4,646)**
Q	**NET EQUITY**	**16,366**	**11,734**	**4,632**
	Total Shareholders' Equity of parent company shareholders	*16,366*	*11,734*	*4,632*
	Shareholders' Equity of non-controlling interests	*-*	*-*	*-*
	FINANCING SOURCES	**27,567**	**27,581**	**(14)**

	NET DEBT (Eur/000)	31/12/2021	31/12/2020	Change
A	Cash flow	38	40	(2)
B	Bank deposits	9,002	4,217	4,785
C	Other cash assets	-	-	-
D	***Liquidity (A+B+C)***	***9,040***	***4,257***	***4,783***
E	***Other financial assets available***	***1,472***	***1,265***	***207***
F	Current bank payables	3,106	2,765	341
G	Current account of non-current borrowings	3,466	2,309	1,157
H	Current account of Bonds issued	358	328	30
I	Other current financial payables	-	-	-
J	Current financial liabilities deriving from the application of IFRS16	697	754	(57)
K	***Current financial borrowings (F+G+H+I+J)***	***7,627***	***6,156***	***1,471***
L	***Current net financial position (credit)/debit (K-D-E)***	***(2,885)***	***634***	***(3,519)***
M	Non-current bank payables	11,239	10,928	311
N	Non-current account of Bonds issued	-	358	(358)
O	Other non-current financial payables	-	32	(32)
P	Non-current financial liabilities deriving from the application of IFRS16	2,847	3,895	(1,048)
Q	***Non-current financial debt (M+N+O+P)***	***14,086***	***15,213***	***(1,127)***
R	**Net debt (credit)/debit (L+Q)**	**11,201**	**15,847**	**(4,646)**
	of which for payables from the application of IFRS16	*3,544*	*4,649*	*(1,105)*
	of which debt at net of the application of IFRS16	***7,657***	***11,198***	***(3,541)***

SUMMARY OF CASH FLOWS (Eur/000)	31/12/2021	31/12/2020	Change
Cash flow from operations	4,062	3,211	851
Cash flow from investment management	(4,407)	(2,539)	(1,868)
Flow from banking and financing activities	1,288	(2,521)	3,809
Flow on Capital	3,840	4,623	(783)
Total cash flow	**4,783**	**2,774**	**2,009**

INVESTMENTS

The major investment items for FY 2021 are shown below.

New manufacturing facility

To meet the need for new manufacturing space to pursue its development plans, in 2021 the Group had a new manufacturing facility built near its Parella (TO) operating headquarters.

On 21/12/2021, the final real estate sale deed was signed for the purchase of a building lot in a P.I.P. area in the Municipality of Samone (TO).

Research and development activities

Continuous R&D activity is a characteristic of the OSAI Group and it is focused on the sale of high-tech automation machinery.

As in previous years, significant investments were made in 2021 in projects focused on designing new and innovative machinery and equipment as well as in developing new industrial processes for technological innovation.

Total investment in research and development during the year amounted to 2,537,000 euros, of which 2,400,000 euros were recorded under the Parent Company's fixed assets, whilst the remainder was expensed during the period.

The **net research and development costs** amount to 2,537,000 euros, up 137,000 euros or 5.72% (2,400,000 euros as of 31/12/2020). This item includes R&D costs for projects that cannot be capitalized.

Development activities are briefly described in the following list:

1. Innovative automation systems for *e-mobility* applications (internal project name P0025-EMF)
2. Feasibility studies and testing of innovative processes for the pre-treatment of printed circuit boards containing rare metals to be recovered (Internal project name P0022-CEA into which the previous project RD20-A4CEP started in 2020 was merged);
3. Addition process development for "SILICON CARBIDE" (Internal project name P0023-SCA)
4. Development of an *handling and testing* process for graphic microprocessors for ADAS (ADVANCED DRIVER ASSISTANCE) use in the*automotive* field (Internal project name P0021-STH)
5. Experimentation with thermally conductive materials (Internal project name RD-DTC). Started in 2019 and merged from 2020 into the "4 CUSTHER" project partially funded by the European Community (Manunet);
6. Demonstration prototype for the "CIRCULAR ECONOMY" (Internal project name P0024-CEP into which the previous project RE4M-P01 PROTOTIPO, started in 2020, was merged)
7. Design of "*multipurpose robots*" with low cost and high flexibility. (Internal project name RD-APRIL) An initiative funded by the European Community - HORIZON 2020 - Acronym "APRIL";
8. Experimentation with artificial intelligence-based "*cobots*" (Internal project name RD-VOJEXT). Initiative partially funded by the European Community - HORIZON 2020 - Acronym "VOJEXT";

9. Digital technology for the treatment of lung cancer (internal project name RD-DEF) An initiative partially funded by the Piedmont Region Health Platform - DEFLeCT Project;
10. Metal additive manufacturing process (Internal project name RD-MANU) An initiative partially funded by the European Community - HORIZON 2020 - Acronym "MANUELA".

Environment

The OSAI Group does not operate in a sector at risk in terms of environmental issues and no environmental issues were detected in 2021.

Although the OSAI Group does not operate in a sector at risk with regard to environmental issues, it constantly invests in improving its environmental performance to make its business more sustainable and reduce its impact,

In this sense, through its Environmental Management System (EMS) certified according to the international standard ISO 14001:2015, the OSAI Group defines annual objectives to reduce the consumption of environmental and natural resources and the use of renewable energy that produce a positive impact in this macroeconomic context affected by an increase in energy costs due to the Ukraine war.

The Group considers sustainability to be an important factor in its strategies, and for this reason the Company's first Sustainability Report was published in 2021, reporting on the results achieved and the commitment made to increase its environmental performance.

More information will be made available in OSAI's 2021 Sustainability Report to be published in 2022.

Personnel

As far as personnel management is concerned, the Group has always paid great attention to safety in the workplace, not only in terms of the safety legislation, but with initiatives aimed at enhancing the value of individuals and the environment where they work, an aspect that the Group deems to be a fundamental condition for its employees to be able to express themselves at their best and create "Value".

In the face of the pandemic events in the year 2021, the Group acted promptly in its efforts to ensure continuity of business and ensure the safety and health of its employees, keeping an internal task force in place to identify the emergency measures to adopt and ensure their implementation. *Working from home* has thus been expanded thanks to the strengthening and investment in *Information Technology* that had already taken place in previous years.

Anti-contagion safety procedures and the use of PPE allowed plant personnel to work in full safety, ensuring the continuation of the manufacturing activities and avoiding the spreading of the virus.

Therefore, no cases of Covid-19 infection were reported within the company environments in 2021. The virus did, however, affect a percentage of employees but the contagion occurred in all cases outside the work environment and, thanks to the prevention and protection measures adopted, the individuals did not transmit the virus within the work environment, thus avoiding the onset of any outbreaks.

The Group also ensured, despite the unfavorable economic impact caused by the drop in business in 2021 and the overall situation, certainty of remuneration for its staff and therefore economic support for their families, defining, as it had already been done in 2020, specific social policies such as a solidarity plan for staff, with measures such as solidarity vacations and hour banks, and virtuously choosing not to adopt social protection programs such as the temporary redundancy fund, favoring the well-being of its staff and their families instead.

Regarding the company's workforce, in 2021 the Group further increased its human resources by adding 14 new employees, 30% of whom were employed to strengthen the central functions. The organizational structure also underwent important changes following the IPO and the listing on the EURONEXT Growth Milan Italia of the Parent Company, with the assignment of new responsibilities and tasks, in particular by implementing the Administration, Control and Finance and Innovation and Development departments.

The composition of the Group's workforce is duly illustrated in the following table:

Category	Company employees at 31/12/2020	Hires	Dismissals	Level changes	Company employees at 31/12/2021
Executives	6	-	-	-	6
Managers	8	-	-	1	9
White-collar workers	145	21	(10)	5	161
Blue-collar workers	28	4	(1)	(6)	25
Total Employees	**187**	**25**	**(11)**	**0**	**201**

Safety in the workplace

Total safety in the workplaces expenses incurred by the OSAI Group in 2021 amount to approximately 47,000 euros. Expenditure items focused on consultancy and training on safety, personal protective equipment of various types used in company processes, including those for pandemic management.

On the topic of health and safety in the workplace, further details can be found in the Sustainability Report to be published by the Company in 2022.

RELATED-PARTY TRANSACTIONS

Generally speaking, it can be stated that the transactions carried out with related parties, in particular intra-group transactions, cannot be qualified either as atypical or as unusual, since they are part of the ordinary course of the company's business.

These transactions, when not taking place according to standard terms and conditions or dictated by specific regulatory conditions, were in any case settled at market conditions

OSAI GROUP'S RISK MANAGEMENT

The main risks to which the OSAI Group is exposed are listed below:

Credit risk

Risk, related to customers' ability to pay receivables, has increased in the current difficult economic environment. The OSAI Group seeks to minimize this risk through policies that select the creditworthiness of its clients and through the systematic and professional management of debt collection by dedicated teams. With regard to trade receivables, the Group constantly monitors and writes down positions for which total or partial inability to collect the receivables has been identified.

Actions taken to manage customer credit risk continued during the year and proved effective: no significant credit losses were recorded in 2021.

Liquidity risk

Liquidity risk is the risk that sees company unable to honor its payment commitments due to the difficulty of raising funds, with a negative impact on the economic performance if the company is forced to incur additional costs or, as an extreme consequence, in a situation of insolvency that would jeopardize the company's ability to continue as a going concern.

In this area, Osai A.S. S.p.A. has adhered, since 2017, to the supply chain development program with Intesa Sanpaolo, starting a collaboration with its suppliers to optimize the management of working capital within the production chain, guaranteeing on the one hand the regularity of payments to strategic suppliers and on the other hand a more dynamic management of the company's liquidity.

In addition, the capital increase at the time of the IPO had the effect of supporting the company's liquidity by helping to provide greater balance in terms of the duration and composition of debt. Therefore, the liquidity risk for the OSAI Group is to be considered low.

Market risk

The following is a sensitivity analysis as of the reporting date, in relation to market risk variables, for each of the following components:

- **Rate risk:**

The OSAI Group's exposure to interest rate risk originates primarily from the volatility of borrowing costs associated with debt in variable rates.

The interest rate risk management policy has the goal of limiting such volatility by identifying a balanced mix of fixed and floating rate loans.

However, this volatility is mitigated by the current economic and financial context where no increase in interest rates is expected in the short term.

- **Exchange rate risk (or currency risk):**

This risk is to be considered limited as purchase and sale transactions are mostly managed in euros.

- **Price risk:**

With reference to the characteristics of the sector in which the OSAI Group operates, the *commodities* price risk, meaning the market risk associated to fluctuations in the prices of raw materials, is rarely significant as changes in the prices of raw materials, taking into account time lags, are reflected in the sale price.

- **Procurement Risk:**

In an international context that is still critical due to pandemic restrictions and significant increases in the price of certain goods and services, particularly in the raw materials and logistics sector, at the reporting date the OSAI Group is experiencing a critical impact on the timing of procurement of certain materials required for the production of its products, specifically the electronic components that equip the products supplied by the Group. Despite the fact that the Group has invested in advance in the early months of 2021 in expanding its supplier base, increasing, where applicable, its procurement of standard electronic components in stock, the global effects of the crisis, particularly in the semiconductors segment are impacting production and therefore the delivery times of certain products.

To deal with this risk, the company has implemented a purchasing strategy focused on the procurement of critical materials, anticipating market demands by differentiating supply sources, which has led to a preference for suppliers located close to the production plant. In addition, during the contractual stage with customers the Group adopts strategies to contain delivery times, appropriately managing product configurations, in order to reduce the risk of future interruptions.

- **Default risk:**

At this time, there is no reason to believe that there could be events that would expose the OSAI Group to the risk of default. It is believed that the Group is able to meet its financial commitments in both the short and medium/long term.

Specific risks related to the COVID-19 pandemic

The continuing uncertainty regarding the timing of resolution of the Covid-19 pandemic's issues at the global level poses some specific risks that need to be considered. Despite the positive effects of the vaccination campaign extended to many countries, the new virus variants keep increasing and even if they are less lethal, the consequences can create new disruptions.

In particular, if additional restrictions on movement or presence in the workplace were to occur, the Group could be exposed to the following risks:

- Delays in the assembly and production of machines to be delivered to customers;
- difficulty in sourcing raw materials or semi-finished products from external suppliers: the Group has taken steps to diversify its suppliers and is sourcing them mainly from local companies, which are less exposed to the risk of transport blockages;
- Difficulties in delivering and testing machines to customers if installation sites have access restrictions;
- difficulty in sending specialized personnel to service machines, especially if they are installed in countries outside Europe. The Group organized these interventions using local personnel but the inability to travel could create difficulties in training and managing these external teams.

To date, there are no critical situations regarding these risks, but even though all the necessary measures to limit them have been adopted, how the situation will evolve is difficult to predict.

Specific risk related to higher energy costs

Since the latter part of 2021, there was a significant increase in the cost of energy. The Parent Company, which is not considered an energy-intensive entity due to its manufacturing, has 5 photovoltaic systems for the production of electricity installed on the roof of its manufacturing buildings for a total installed capacity of approximately 262 kWp.

These investments made over the years allow the Group to maintain a high level of self-produced energy to support their consumption, shielding the OSAI Group from the negative effects of fluctuations in energy costs.

SHARE PERFORMANCE

During the 2021 financial year, the share value of the parent company OSAI Automation System S.p.A. went from a unit value of EUR 3.1820 as of 30/12/2020 to a value of EUR 4.7665 per share as of 30/12/2021.

On January 6, 2021 and January 11, 2021 the share reached its lowest value of the year, equal to 3.09 euros per share, compared to a maximum value of 6.25 euros reached on February 16, 2021.

Since the end of the first quarter of 2021, the share has resumed its increase in value staying above 4.47 euros per share and more often between 4.90 and 5.10 euros per share.

SHAREHOLDER STRUCTURE

As of 31/12/2021, the share capital of OSAI AUTOMATION SYSTEM S.p.A. amounts to EUR 1,598,640.90, divided into 15,986,409 ordinary shares with a par value of EUR 0.10 each. No classes of shares other than common shares have been issued.

The following table shows the related breakdown of the shareholding structure:

Shareholder	Number of shares:	% share capital	% voting rights
Ferrero Mirella	8,254,000	51.63%	51.63%
Market[1]	7,732,409	48.37%	48.37%

1 This includes both investors who fall within the definition of "free float" pursuant to the Euronext Growth Milan Issuers' Regulations and those who do not fall under this definition

Basic earnings per share

The calculation of the basic earnings per share as of 31/12/2021, in the black for 0.06 euros (0.09 euros as of 31/12/2020), is due to the performance of the shareholders of the parent company, divided by the weighted average of the common shares in circulation.

BASIC EARNINGS PER SHARE	31/12/2021	31/12/2020
Net Shareholders' profit/loss of parent company shareholders *(Eur/000)*	906	963
Weighted average of common shares	15,183,909	10,644,809
Basic earnings per ordinary share*(Eur)*	0.06	0.09

Atypical and unusual transactions

During the period under review, the Group did not carry out any atypical and/or unusual operations.

Management and coordination activities

The Parent Company - OSAI AUTOMATION SYSTEM S.p.A. is not subject to the direction and coordination of any other company or entity and has full independence to define its strategic and operating guidelines..

APPLICATION OF LAW DECREE 231/2001

OSAI A.S. S.p.A. has adopted the Organisational, Management and Control Model pursuant to Law Decree No. 231/2001, on 26/03/2021.

Organisation, Management and Control Model:

- describes the content and purpose of Legislative Decree No. 231/2001;
- lists and describes in detail the types of so-called "underlying" offences detailed in Legislative Decree No. 231/2001, identifying the areas of the company where offences may be committed and the code of conduct and monitoring protocols in place to prevent the risks of such offences;
- defines the criteria for the appointment, duties and responsibilities of the Supervisory Body and the methods for reporting alleged breaches of the Organization, Management and Control Model;
- emphasizes the need for training and communication to ensure that all recipients are aware of the Model and its related documents;

- includes a system of penalties for behavior that does not comply with the Model.

To take into account changes in the regulatory context, changes in the organizational set-up or the results of checks on its implementation, the Model is subject to periodic review and updating.

The task of supervising the adequacy, correct implementation and adherence to the Organization, Management and Control Model is entrusted to the Supervisory Body, which reports directly to the Board of Directors.

On 12/03/2021, the company's Board of Directors appointed the Supervisory Body, which consists of three members from outside the company. The Supervisory Board will remain in office for 3 financial years, meaning until the approval of the 2022 Financial Statements.

On 24/03/2022, the Supervisory Body submitted its first annual report to the Board of Directors. No significant violations or critical aspects of the Model were reported, positively assessing the adequacy of the Model pursuant to Legislative Decree No. 231/2001 implemented by the Company.

BUSINESS OUTLOOK

The OSAI Group, despite the difficulties related to the effects of the pandemic that affected the year 2021, demonstrated great resilience and responsiveness by maintaining positive margins and a profit for the year in line with that of 2020 as well as a significant reduction in the Group's Net Financial Debt.

Investments in research and development continued steadily in the FY 2021, which, in the short term, will enable the Group to improve its position in strategic markets of interest and expand its business areas with innovative new products in 2022. Further investments are aimed at the digitization of processes and the improvement of the organizational structure, essential elements to support the expected growth and future developments.

Finally, the application of automation to the world of recycling will represent a new challenge and great business opportunity for the Company, both through the Re4M project, which will see the light of day in 2023, but also through new applications currently under review.

On the basis of the elements described above, the Group hopes for a significant recovery marked by:

- high growth in sales of applications in the semiconductors segment, which will increasingly strengthen the company as a reference partner in the market for solutions to test microchips for self-driving in the automotive sector; testing power modules used in electric traction and process automation in the manufacturing of Silicon Carbide (SiC), an indispensable material in the production of high-performance semiconductors during the electric mobility transition.
- an increase in sales in the Automation and Applied Laser division segments, particularly for processes in the battery segment with specific applications in the manufacturing of battery packs, for which OSAI can already boast great experience.

The opportunities described above, despite the existing uncertainties, such as the effects of the pandemic on supply chains and those resulting from the ongoing war in Ukraine, will be the new variables on which to define the growth of the Group, which expects to return to pre-pandemic levels in 2022 in all its divisions and thus resume the growth interrupted in 2020.

Proposal for profit allocation

We invite you to proceed with the approval of the draft financial statements of the Company as of 31/12/2021, which ends with a profit for the year equal to EUR 877,966.74 and to allocate:

- 44,000.00 euros to the legal reserve; and
- the residual amount of 833,966.74 euros to be carried forward.

In addition, since the reasons for its allocation no longer apply, we invite you to release the "Unavailable reserve pursuant to art. 60 of Law Decree 104/2020", amounting to 549,779.08 euros, allocated to "Retained earnings".

On behalf of the Board of Directors The Chairman

Mirella Ferrero

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP OSAI AUTOMATION SYSTEM S.P.A. AS OF 31/12/2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Eur/000)	Notes	December 31, 2021	December 31, 2020
ASSETS			
NON-CURRENT ASSETS			
- Property, plant and equipment	1	11,622	11,375
- Intangible Assets	2	3,384	2,874
- Shareholdings	3	126	101
- Non-current financial assets	4	48	33
- Other non-current receivables	5	516	288
- Deferred tax assets	**6**	**829**	**542**
TOTAL NON-CURRENT ASSETS		**16,525**	**15,213**
CURRENT ASSETS			
- Inventory	7	22,459	32,246
-Trade receivables	8	11,566	9,683
- Current taxes receivable	9	801	559
- Other short-term receivables	5	723	621
- Current financial assets	4	1,424	1,232
- Cash and cash equivalents	**10**	**9,179**	**4,720**
TOTAL CURRENT ASSETS		**46,152**	**49,061**
TOTAL ASSETS		**62,677**	**64,274**
LIABILITIES			
SHAREHOLDERS’ EQUITY			
-Share capital	11	1,599	1,400
-Share premium reserve	11	8,428	4,787
- Legal Reserve	11	213	200
- Reserve for unrealised foreign currency exchange gains	11	-	-
- Cash Flow Hedge reserve	11	-	(24)
- FTA reserve	11	(1,683)	(1,683)
- Other components of shareholders' equity	11	(159)	(48)
- Conversion reserve	11	(4)	(48)
- Retained earnings/(losses) carried forward	11	6,626	5,680
- Profit (loss) for the period	11	906	963
TOTAL SHAREHOLDERS’ EQUITY		**15,926**	**11,227**
Shareholders’ Equity of parent company shareholders		**15,926**	**11,227**
Shareholders’ Equity of non-controlling interests		**-**	**-**
NON-CURRENT LIABILITIES			

(Eur/000)	Notes	December 31, 2021	December 31, 2020
- Long-term borrowings	12	11,239	10,928
- Employee benefits	13	3,479	3,084
- Other non-current payables	14	-	-
- Deferred tax liabilities	15	17	162
- Other non-current financial liabilities	16	-	390
- Payables non current under IFRS16	17	2,847	3,895
TOTAL NON-CURRENT LIABILITIES		**17,582**	**18,459**
CURRENT LIABILITIES			
- Short-term borrowings	12	6,572	5,074
- Other current financial liabilities	16	358	328
- Trade payables	14	6,158	4,961
- Current taxes payable	18	377	356
- Other current payables	14	14,585	22,826
- Provisions for risks and charges	19	422	289
- Payables current under IFRS16	17	697	754
TOTAL CURRENT LIABILITIES		**29,169**	**34.588:**
TOTAL LIABILITIES		**62,677**	**64,274**

CONSOLIDATED INCOME STATEMENT

(Eur/000)	Notes	December 31, 2021	December 31, 2020
- Total sales	**20**	**38,827**	**23,464**
- Change in finished goods and W.I.P. stock	20	(9.925)	7,271
- Other operating revenues	21	3,711	2,417
VALUE OF PRODUCTION		**32,613**	**33,152**
- Product cost (raw materials and outsourcing)	22	(11,587)	(12,823)
Gross Margin		**21,026**	**20,329**
- Personnel expenses	23	(12,671)	(11,922)
- Other operating costs	24	(4,119)	(3,835)
EBITDA		**4,236**	**4,572**
- Writedowns, depreciation and amortisation	25	(2,671)	(2,751)
Operating income of ordinary operations		**1,565**	**1,821**
- Non-recurring expenses/(charges)	26	(250)	-
EBIT		**1,315**	**1,821**
- Financial Income/(Expenses)	27	(749)	(814)
EBT		**566**	**1,007**
- Income taxes	28	340	(44)
Net profit/(loss) for the period		**906**	**963**
of which attributable to parent company shareholders		906	963
of which attributable to non-controlling interests		-	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Eur/000)	Notes	December 31, 2021	December 31, 2020
Net profit/(loss) for the period		**906**	**963**
Actuarial gains (losses) on defined benefit plans		(182)	(76)
Tax effect		51	18
Total other comprehensive income/(loss) not subsequently reclassified in the income statement, at net of the tax effect		**(131)**	**(58)**
Effective portion of fair value gains or losses on cash flow hedges		-	21
Tax effect		-	(5)
Financial instruments measured at fair value FVOCI		27	16
Tax effect		(6)	(4)
Gains/(losses) on conversion of financial statements of foreign companies		41	(23)
Total other comprehensive income that will be subsequently reclassified in the income statement at net of the tax effect		**62**	**5**
NET COMPREHENSIVE INCOME FOR THE PERIOD		**837**	**910**
of which attributable to parent company shareholders		837	910
of which attributable to non-controlling interests		-	-

STATEMENT OF CHANGES IN EQUITY

SCHEDULE OF CHANGES IN EQUITY (Eur/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	RESERVE FOR FOREIGN EXCHANGE GAINS	RESERVE FOR ADJUSTMENTS TO FV DERIVATIVES
Balance at 01/01/2020	1,000	-	200	8	(40)
Dividends paid out	-	-	-	-	-
Allocation of profit/(loss) for the previous period	-	-	-	-	-
Increase in share capital	400	4,787	-	-	-
Other transactions	-	-	-	(8)	-
Overall result for the period	-	-	-	-	16
Balance at 31/12/2020	1,400	4,787	200	-	(24)
Dividends paid out	-	-	-	-	-
Allocation of profit/(loss) for the previous period	-	-	13	-	-
Increase in share capital	199	3,641	-	-	-
Other transactions	-	-	-	-	24
Overall result for the period	-	-	-	-	-
Balance at 31/12/2021	**1,599**	**8,428**	**213**	**-**	**-**

SCHEDULE OF CHANGES IN EQUITY (Eur/000)	FTA RESERVE	OTHER RESERVES	CONSOLIDATION RESERVE	CONVERSION RESERVE
Balance at 01/01/2020	(1,683)	(2)	(23)	3,777
Dividends paid out	-	-	-	-
Allocation of profit/(loss) for the previous period	-	-	-	1,891
Increase in share capital	-	-	-	-
Other transactions	-	-	(2)	12
Overall result for the period	-	(46)	(23)	-
Balance at 31/12/2020	(1,683)	(48)	(48)	5,680
Dividends paid out	-	-	-	-
Allocation of profit/(loss) for the previous period	-	-	-	950:
Increase in share capital	-	-	-	-
Other transactions	-	-	2	(4)
Overall result for the period	-	(111)	42	-
Balance at 31/12/2021	**(1,683)**	**(159)**	**(4)**	**6,626**

SCHEDULE OF CHANGES IN EQUITY (Eur/000)	RESULT FOR THE PERIOD	SHAREHOLDERS' EQUITY	of which: PN parent company shareholders	of which: PN minority shareholders
Balance at 01/01/2020	1,891	5,128	5,128	-
Dividends paid out	-	-	-	-
Allocation of profit/(loss) for the previous period	(1.891)	-	-	-
Increase in share capital	-	5,187	5,187	-
Other transactions	**-**	**2**	**2**	**-**
Overall result for the period	963	910	910	-
Balance at 31/12/2020	963	11,227	11,227	-
Dividends paid out	-	-	-	-
Allocation of profit/(loss) for the previous period	(963)	-	-	-
Increase in share capital	-	3,840	3,840	-
Other transactions	-	22	22	-
Overall result for the period	**906**	**837**	**837**	**-**
Balance at 31/12/2021	**906**	**15,926**	**27,153**	**-**

CONSOLIDATED STATEMENT OF CASH FLOWS

(Eur/000)	December 31, 2021	December 31, 2020
Net profit/(loss) for the period	**906**	**963**
Adjustments (sub-total)	2,781	2,391
Amortization, depreciation and write-downs of fixed assets	2,586	2,692
(gains) losses on disposal of fixed assets	**(1)**	**-**
Value adjustments to equity investments	-	-
Other adjustments for non-monetary items	(3)	(32)
Change in tax assets/liabilities for prepaid/deferred taxes	**(432)**	**(203)**
Changes in personnel-related provisions	263	328
Change in other provisions for risks and charges	222	284
Changes in inventories	9,724	(7,355)
Change in trade receivables	**(1,909)**	**1,650**
Changes in trade payables and advances	(6,979)	5,039
Net change in other non-financial assets/liabilities	(690)	(12)
Cash flow from operations (A)	**3,687**	**3,354**
Cash Flow from investment activities		
- Investments in:		
Tangible assets	(3,114)	(1,594)
Intangible fixed assets	**(1,303)**	**(945)**
Equity investments	(25)	-
- Realisation of the sale of:		
Tangible assets	4	-
Intangible fixed assets	-	-
Equity investments	-	-
Cash flow from investment management (B)	(4,438)	(2,539)
Cash Flow from financing activities		
Changes in receivables and other financial assets	(186)	(184)
Changes in payables and other financial liabilities	(293)	(2,832)
Changes in short-term payables to banks	340	(3,120)
Loan repayments	(4,141)	(891)
Financing	5,610	4,500
Flow from banking and financing activities	1,330	(2,527)
Capital increase and share premium	3,840	5,187
Dividends paid	-	(564)
Change in reserves and other shareholders' equity components	40	(21)
Flow on Capital	3,880	4,602
Financial management flow (C)	5,210	2,075
Total cash flow (D=A+B+C)	4,459	2,890
Cash and cash equivalents at beginning of period (E)	4,720	1,830
Cash and cash equivalents at end of period (F=D+E)	9,179	4,720

Additional disclosures for the Statement of Cash Flows (Eur/000)

Income taxes paid	21	326
Interest paid	880	739

CHAPTER 6. DESCRIPTION OF ACCOUNTING PRINCIPLES

The Osai Group operates in the industrial process automation sector and has as its Parent Company the Italian joint-stock company "Osai Automation System S.p.A." (hereinafter the "Parent Company" or the "Holding Company").

The Consolidated Financial Statements of the Osai Group for the year ended on December 31, 2021 were approved by the Board of Directors on March 28, 2022, are audited by BDO Italia S.p.A. and will be submitted to the shareholders' meeting.

For details regarding the transition from Italian GAAP (OIC) accounting principles to IFRS accounting principles, please refer to Appendix "Transition to IFRS Accounting Principles".

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are those entities in which the Group has control, meaning where the Group is exposed to variable returns arising from its relationship with the entity, or has rights to such returns, while having the ability to influence them by exercising its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is acquired until such time as control ceases to exist.

Loss of control

In the event of loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other net equity components relating to the subsidiaries. Any gain or loss resulting from the loss of control is recognized in profit/(loss) for the period. Any investment retained in the former subsidiary is measured at *fair value* at the date of loss of control.

Transactions derecognized during consolidation

When preparing the consolidated financial statements, intercompany transaction balances and unrealized intercompany revenues and expenses are derecognized. Losses which are not incurred are derecognized in equal measure with unrealized profits, but only in the absence of indicators which demonstrate an impairment of value.

The companies included in the scope of consolidation are illustrated in Chapter 3 and are all subsidiary undertakings consolidated on a line-by-line basis.

In brief, consolidation with the line-by-line method consists in the acquisition of the assets and liabilities, costs and revenues of the consolidated companies, regardless of the size of the shareholding, and attributing to minority shareholders, under a specific heading of the net equity, their share of the profits and reserves.

The main techniques used in consolidation are outlined below:

- equity investments in companies included in the consolidation and of the corresponding fractions of their net equity are derecognized by attributing to the individual elements of the balance sheet assets and liabilities the current value as of the date of acquisition of control; any residual difference, if positive and if the requirements are met, is posted under "goodwill", while if negative it is entered in the Income Statement;

. receivables and payables between the companies included in the consolidation are derecognized, as well as income and expenses for transactions between those companies;

. furthermore, profits and losses from transactions between these companies and related to values included in the balance sheet and the income statement have been derecognized, if significant; any intragroup losses are not derecognized if they represent an impairment indicator of the underlying asset;

Other companies

Investments where the Group does not exercise control, or has significant influence or joint control are initially recognized at cost, including transition costs.

Their value is periodically subject to an impairment procedure to compare the recoverable value with the related book value annually and whenever there is an indication of impairment.

ACCOUNTING PRINCIPLES ADOPTED

Basis for the preparation of the consolidated financial statements

These 2021 consolidated financial statements have been prepared in accordance with ("IFRS") International Accounting Standards issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union as well as with the measures implementing Article 9 of Legislative Decree No. 38/2005:

The designation IFRS also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

The financial statements are prepared on the basis of the historical cost principle, with the exception of financial instruments, which are measured at *fair value*. The Company has applied accounting policies consistent with those of the prior FY. For the impact related to the application of the new accounting standards, reference should be made to the document "Report on the transition to international accounting standards/IFRS"

Going concern

The financial statements have been prepared on a going concern basis, as the Group has determined that there are no material uncertainties (as defined by IAS 1 §25) regarding its ability to continue as a going concern, supported by the following elements:

- good consistency of the order book;
- reasonable certainty that it will meet its projected obligations over the next 12 months;
- availability of sufficient cash and lines of credit to meet operating cash requirements.

Risks and uncertainties related to the business are described in the relevant section of the Management Report.

Financial Statements Schedules

In relation to the **Consolidated Financial Statements** schedules, the Group has elected to use the schedules described below:

a) with regard to the Statement of Financial Position, the format that presents assets and liabilities distinguishing between "current" (i.e. payable/receivable within 12 months) and "non-current" (i.e. payable/receivable after more than 12 months) was adopted;

b) as regards the **Income Statement**, the format that provides for a breakdown of costs by type was adopted, highlighting the intermediate results relating to the Industrial Margin, Gross Operating Margin (EBITDA), operating income (EBIT) and income before tax (EBT). The table also includes income and expenses posted directly to Net Equity in accordance with IFRS, in the section **"Comprehensive Income Statement"**;

c) with regard to the **Statement of Changes in Net Equity,** the format that reconciles the opening and closing of each item of equity for both the current and the previous period was adopted;

d) with regard to the **Cash Flow Statement**, the so-called "indirect" method was applied, in which the net cash flow from operating activities is determined by adjusting the profit and loss for the effects:

- non-monetary items such as depreciation and amortization;
- changes in inventories, receivables and payables generated by operating activities;
- other items whose cash flows are generated by investing and financing activities.

The consolidated financial statements have been drawn up in euro, which is the functional and presentation currency. All values are rounded to the nearest thousand.

CONVERSION OF ENTRIES IN FOREIGN CURRENCY

(a) Functional currency and presentation currency

The financial statements of subsidiaries are prepared in their functional currency, which is the currency used in their primary economic environment. The presentation currency adopted by the OSAI Group is the euro.

(b) Assets, liabilities and transactions in currencies other than the euro

Transactions in currency other than the euro are recorded, initially, at the exchange rate in effect on the date of the transaction.

Monetary assets and liabilities in currencies other than the euro are translated into euros using the exchange rate in force on the financial statements closing date. All exchange rate differences have been recorded in the income statement.

(c) Group Companies

On the closing date of the financial statements, monetary assets and liabilities in currencies other than the euro are translated into euros using the exchange rate in force on the financial statements date. Their income statement is converted using the average exchange rate for the period. Exchange rate differences are posted directly to the Net Equity and shown separately in the "Currency Exchange reserve" until the subsidiary company is disposed of.

Financial statements in currencies other than the euro have been converted, with regard to balance sheet items, at the following exchange rates (year-end exchange rates):

Exchange rates at end of period/Currency	31/12/2021	31/12/2020
USD - US Dollar	1,1326	1,2271
Renminbi - China	7,1947	8,0225

Income statement items have been converted at the following exchange rates (average exchange rates):

Average exchange rates / Currency	31/12/2021	31/12/2020
USD - US Dollar	1,1827	1,1422
Renminbi - China	7,6282	7,8747

VALUATION CRITERIA

Tangible fixed assets

All categories of property, plant and equipment, including investment property, are recorded at historical cost less depreciation and "*impairment*", with the exception of land, which is recorded at historical cost less any*impairment*. Cost includes all expenses directly attributable to the purchase.

Costs incurred after the purchase of the asset are posted as an increase to their historical value or entered separately, only if it is probable that they will generate future economic benefits and their cost can be reliably measured.

Depreciation of property, plant and equipment is calculated using the straight-line method, so as to distribute the residual book value over the estimated economic-technical life as follows:

- - land: not depreciated
- Machinery: 6.5-15 years
- Photovoltaic system: 11-12 years
- Industrial and commercial equipment 4 years
- Equipment consisting of lightweight constructions 10 years
- Furniture and fittings: 8-9 years
- Electronic office equipment: 5 years;
- Vehicles: 4-5 years.

Extraordinary maintenance capitalized as an increase to an existing asset is depreciated over the residual useful life of that asset, or over the period until the next maintenance operation, whichever is shorter.

The residual value and useful life of property, plant and equipment are reviewed, and modified if necessary, at the balance sheet date.

Gains and losses on the sale of property, plant and equipment are recognized in the income statement and are determined by comparing their carrying amount with the selling price.

Finance and/or operating leases that grant a right to the exclusive use of an identified or identifiable asset, conferring the substantial right to obtain all economic benefits arising from its use for a specified period of time in exchange for consideration, fall within the scope of IFRS 16.

These contracts are recorded by entering a "right of use" under assets in the statement of financial position and a liability represented by the present value of the payments due for the lease. The "right of use" is amortized on a straight-line basis over the duration of the lease agreement, or the related economic-technical useful life, if shorter.

On the effective date of the lease, defined as the date on which the lessor makes the underlying asset available to the lessee, the carrying value of the "right of use" includes:

- the amount of the initial valuation of the lease liability;
- payments due on the lease made on or before the effective date;
- any initial direct costs;
- any estimated and discounted costs to be incurred at the time of abandonment of the facilities, recorded as an offsetting entry to a specific liability provision in the presence of obligations to dismantle, remove assets and restore sites.

The amount of the initial measurement of the lease liability includes the following components:

- fixed fees;
- variable payments that depend on an index or rate;
- the exercise price of the call option if there is a reasonable certainty of exercising it;
- any lease termination penalty payments, if the lease term takes into account the exercise of the lease termination option.

This accounting method includes the following categories of assets subject to lease agreements:

- real estate
- vehicles
- office equipment.

The Company avails itself of the option granted by IFRS 16 - Leasing to recognize as an accrual-based cost, the installments related to leasing contracts i) of short duration (i.e. less than 12 months), ii) concerning assets of low value (i.e. less than EUR 5,000, when new).

The lease liability is recognized on the effective date of the contract and is equal to the present value of the lease payments.

The present value of the lease payments is computed using either the lease's implicit interest rate or the lessee's marginal financing rate if the former is not readily available. The marginal borrowing rate is equivalent to the interest rate the lessee would have to pay for a loan with similar term and collateral needed to obtain an asset of similar value to the "right-of-use" asset in a similar economic environment.

After the start date, the lease liability is measured by applying the amortized cost criterion. Subsequently, it can be restated (i.e. the cash flows of the lease change as a result of the original contractual terms) or modified (i.e. changes in the subject or in the consideration not provided for in the original contractual terms) with adjustments to the "right of use".

Intangible fixed assets

With a defined useful life

Patents

Industrial patents and intellectual property rights are amortized on the basis of their presumed period of use, which may not in any case exceed the period fixed by the license agreements.

Software

Software licenses are capitalized at the cost incurred to obtain them and put them to use, and amortized over their estimated useful lives.

Costs associated with the development and maintenance of software programs are considered costs for the period and therefore charged to the income statement on an accrual basis.

Research and development

Research costs are recognized in the income statement when incurred.

Development costs incurred in connection with a particular project are capitalized if the following conditions are met:

- costs can be reliably determined;
- the technical feasibility of the projects, the expected volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits;
- the Group intends and has sufficient resources to complete and use or sell the business.

Development costs charged to the income statement account during previous FYs are not capitalized retrospectively, if the requirements are met at a later date.

Development costs with a defined useful life are amortized from the date the product is placed on the market, based on the period over which it is expected to produce economic benefits. Development costs that do not have these characteristics are charged to the income statement for the period in which they are incurred.

Other intangible assets

Other separately acquired intangible assets are capitalized at cost.

After initial entry, intangible fixed assets with a definite useful life are entered at cost, reduced by amortization and*"impairment"*; intangible fixed assets with an indefinite useful life are entered at cost, reduced only by*"impairment"*.

The estimated useful lives for the current and comparative years are as follows:

- Development costs: 5-10 years;
- Software: 3 years;
- Patents: 5 years.

Intangible assets are subject to *impairment*testing on an annual basis and whenever there are reasons to do so. This analysis may be conducted at the level of the individual intangible asset or cash generating unit. The useful life of other intangible assets is reviewed annually: changes, where possible, are made with prospective applications.

Investments in other companies

Investments in other companies in which the Parent Company does not exercise control, significant influence or joint control are initially recorded at their purchase cost including transition costs. Their value is periodically subject to an impairment procedure to compare the recoverable value with the related book value annually and whenever there is an indication of impairment.

Impairment

The Management periodically revises the accounting value of non-current assets held and used and of assets that are to be sold, when facts and circumstances require this revision. The analysis of the recoverability of the book value of non-current assets is generally carried out using estimates of the expected cash flows from the use or sale of the asset and appropriate discount rates to calculate the present value. When the carrying amount of a non-current asset is impaired, the Company recognizes an impairment charge equal to the excess between the carrying amount of the asset and its recoverable amount through use or sale, determined by reference to the cash flows inherent in the most recent corporate business plans.

The estimates and assumptions used in this analysis reflect the state of the Group's management's knowledge of business developments and take into account forecasts believed to be reasonable about future market and industry developments. It cannot be ruled out that different developments in the markets and sectors in which the Company operates could lead to values that differ from the original estimates and, where necessary, to adjustments in the book value of certain non-current assets.

Financial Instruments

Presentation

Financial instruments held by the Group are included in the financial statements entries as follows:

The item Investments includes investments in subsidiaries and other companies.

Other non-current receivables include medium/long-term receivables and security deposits.

Other non-current financial assets include securities and assets held by the Group other than investments.

Current financial assets include trade receivables, other receivables and other current financial assets, as well as cash and cash equivalents.

In particular, the item Cash and cash equivalents includes cash, immediately available bank deposits and overdrafts and other liquid investments due within three months.

Financial liabilities refer to financial payables, including payables for advances on orders, assignment of receivables, as well as other financial liabilities (which include the negative *fair value* of derivative financial instruments), trade payables and other payables.

IFRS 9 identifies the following categories of financial assets, whose classification is the result of an assessment that depends on both the following aspects: a) the business modeladopted in the management of financial assets, and b) the characteristics of the contractual cash flows generated by them:

- Financial assets valued at amortized cost (AC): these assets fall under a *business model* of the type *hold to collect* and generate contractual cash flows that are in the nature of capital and interest.

- Financial assets measured at *fair value* with changes in *fair value* recognized in the statement of comprehensive income (FVOCI): these assets are part of a *hold to collect* and *sell* business model and generate contractual cash flows that are principal and interest.

- Financial assets measured at *fair value* with changes in *fair value* posted to the income statement (FVPL): this category is residual and includes all financial assets other than those measured at amortized cost and at *fair value* with changes in *fair value* posted to the comprehensive income statement, including minority interests, as well as financial assets that do not pass the SPPI test, including non-hedging derivatives and equity investments other than those measured using the equity method.

- Any non-controlling interests irrevocably elected upon initial recognition as FVOCI-type financial instruments without "*recycling*". In the context of this option, contrary to what is generally the case in the FVOCI category: 1) gains and losses recognized in OCI are not subsequently transferred to the income statement, although the cumulative gain or loss may be transferred within equity; 2) equity instruments categorized at FVOCI under this option are not subject to impairment accounting; 3) dividends are still recognized in the income statement unless they clearly represent a recovery of part of the cost of the investment.

Derivative financial instruments, including hedge accounting

The Group uses derivative financial instruments to hedge its exposure to interest rate risk.

Derivative instruments are always measured at *fair value* with a balancing entry in the income statement, unless they are effective hedging instruments for a given risk relating to underlying assets or liabilities or commitments undertaken by the Group.

At the beginning of the designated hedging relationship, the Group documents the objectives in managing the risk and the strategy in carrying out the hedge, as well as the economic relationship between the hedged item and the hedging instrument and whether the changes in cash and cash equivalents of the hedged item and the hedging instrument are expected to offset each other.

Financial liabilities

Financial liabilities include financial payables, as well as other financial liabilities, including derivative financial instruments and liabilities for assets recorded as part of finance leases.

Financial liabilities are classified into the following two categories in accordance with IFRS 9:

a) financial liabilities valued at amortized cost using the effective interest rate (AC) method;

b) financial liabilities measured at *fair value* with changes in *fair value* recognized in the income statement (FVPL), which in turn are classified in the two sub-categories *Held for Trading* and *FVPL at inception.*

Currently, all of the Group’s financial liabilities fall into the first category.

Loans

Loans are initially recorded in the financial statements at *fair value*, net of any ancillary charges. After initial recognition they are accounted for on the basis of the amortized cost criterion. Any difference between the amount collected, at net of any ancillary charges, and the redemption value is posted to the income statement on an accruals basis in accordance with the effective interest rate method. Loans are recorded under current or non-current liabilities depending on the maturity of the related cash flows.

Inventories

Inventories are recorded at the lower of purchase cost, including all directly attributable ancillary costs and charges and indirect costs of internal production, and estimated realizable value based on market trends.

In particular:

Inventory represented by raw materials is measured using the weighted average cost method.

Inventory of semi-finished goods and work in progress, consisting primarily of machinery and equipment under construction and awaiting order at the reporting date, is measured at actual cost at the reporting date.

Contract work in progress (for which there is an order in progress at the close of the financial year), relating to machinery for sale, under construction at the close of the financial year, has been quantified by adopting the percentage of completion criterion. Measurement of this inventory is therefore carried out to an extent corresponding to the revenue accrued at the reporting date, determined with reference to the state of progress of the work, using the cost-to-cost approach.

Finished goods and merchandise (machinery and equipment finished in inventory at the close of the fiscal year) are valued at cost of production.

These cost configurations do not include finance charges.

Any advances from customers are recorded under other current payables until the related revenue is recognized.

Provisions are calculated for materials, finished products, spare parts and other supplies considered obsolete or slow-moving, taking into account their expected future use and realizable value.

Trade receivables and other receivables

Trade receivables are initially recorded at *fair value* corresponding to the nominal value and subsequently reduced for any impairment losses.

The impairment of receivables is based on the expected loss model provided for by IFRS 9. In particular, the impairment of trade receivables is carried out by adopting a simplified approach, which involves estimating the expected loss throughout the life of the receivable.

The estimate is made by means of a precise assessment of collectability on the individual receivable.

Trade receivables whose due date falls outside normal commercial terms and which do not bear interest are discounted.

Receivables sold in factoring transactions are derecognized, if and only if, the risks and rewards relating to ownership have been substantially transferred to the buyer. Receivables sold with recourse and without recourse that do not satisfy this condition remain in the Group's financial statements, even if they have been legally sold; in such cases, a financial liability for the same amount is recognized for advances received.

Cash and cash equivalents

Include cash, deposits with banks or other lending institutions available for current transactions, post office accounts, and other cash equivalents. Cash and cash equivalents are entered at fair value, which normally coincides with the nominal value.

Share capital and reserves

Common shares are classified in the net equity.

Incidental charges directly related to equity issues or options are recognized in assets as a deduction from amounts received.

Employee benefits

Post-employment benefits may be offered to employees through defined contribution and/or defined benefit plans. Those benefits are generally based on individual compensation and years of service.

Defined contribution plans are post-employment benefit plans under which the Group and sometimes its employees make predetermined contributions to a separate entity (a fund) and the Group does not and will not have a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to meet its obligations to employees.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined benefit plans may be unfunded or fully or partially funded by contributions made by the enterprise, and sometimes its employees, to a company or fund, legally separate from the enterprise that provides them to employees.

The accrued amount is projected into the future to estimate the amount to be paid upon termination of employment and subsequently discounted to take into account the time elapsed before actual payment.

Adjustments to liabilities relating to employee benefits are determined on the basis of actuarial assumptions, based on demographic and financial assumptions, and are recorded on an accruals basis in line with the work needed to obtain the benefit. The amount of the rights accrued during the year by employees and the portion of interest on the amounts set aside at the beginning of the period and on the corresponding transactions during the same period are recorded in the income statement under "Personnel costs", whilst the financial expense deriving from actuarial calculations is recorded in the comprehensive income statement under "Profit/(Loss) from revaluation of defined benefit plans", the interest component is recorded in the income statement under "Financial income/(expense)".

The actuarial valuation is performed by an actuary external to the Group.

Following the changes made to the rules for the Severance Indemnity Fund ("T.F.R.") by Law no. 296 of 27 December 2006, and subsequent Decrees and Regulations ("Pension Reform") issued in early 2007:

- the Severance Indemnity accrued at 31 December 2006 is considered a defined benefit plan under IAS 19. Guaranteed employee benefits, in the form of severance pay, paid out on termination of employment, are recognized during the period in which entitlement accrues;

- the Employee Severance Indemnity accrued after 1 January 2007 is considered a defined contribution plan. Consequently, the contributions accrued during the period have been entirely recorded as a cost and, for the portion not yet paid to the funds, reported as a liability in the item "Other current liabilities".

Provisions for risks and charges

Allocations to provisions for risks and charges are made when:

- a legal or constructive obligation arises for the Group as a result of past events; an outlay of resources to satisfy the obligation is probable;

- the amount of the obligation can be reliably estimated.

Provisions are recorded by discounting to best estimates made by the directors to identify the amount of costs the Group must incur, as of the closing date of the financial statements, to settle the obligation.

Revenue recognition

Revenues are shown net of VAT, returns and discounts. Revenues are recognized according to the following rules.

The Group recognizes revenue in accordance with IFRS 15 - Revenue from Contracts with Customers, which introduced a comprehensive framework for revenue recognition and measurement aimed at faithfully representing the process of transferring goods and services to customers at an amount that reflects the consideration expected to be received in exchange for the goods and services provided.

This principle is applied using a model consisting of the following five basic steps:

1. **Identification of the contract with the customer**: This occurs when the parties approve the contract, which has commercial substance, and identify their respective rights and obligations. The contract must be legally binding, identify the right to receive goods and/or services, the consideration, and the payment terms;

2. **Identification of the contractual obligations** *(performance obligations)* contained therein, i.e., promises to transfer distinct goods and services.

3. **Determination of the** (*transaction price*): this is the total amount contracted with the counterparty over the duration of the contract.

4. **Price allocation to the various contractual obligations** in proportion to their respective stand alone *selling prices* determined based on list prices.

5. Revenue recognition upon fulfillment of contractual obligations.

Revenues relating to the sales of goods are recognized when control of the same is transferred to the customer, i.e. when the significant risks and rewards of ownership are transferred.

When the revenue relates to contracts with customers that provide for the installation of the asset sold and the warranty on it for a certain period of time, the revenue is recorded at the time of installation since the latter is strongly linked to the asset and, consequently, falls under the same *service obligation*.

The Group identifies the extension of warranty over normal market conditions as a *performance obligation* to be accounted for separately.

Revenues for **services**are accounted for on the basis of the stage of completion in the year in which they are rendered.

Public grants

Public grants are recorded in the financial statements at their *fair value*, only if there is reasonable certainty that they will be granted and the Company has met all the requirements to obtain them. Revenues from public grants are recognized in the income statement based on the costs for which they were granted.

Financial income and charges

Interest income and expense are recognized in net income/(loss) for the year on an accrual basis using the effective interest method.

The "effective interest rate" corresponds to the rate that exactly discounts estimated future payments or receipts over the expected life of the financial asset: - to the gross book value of the financial asset; or - to the amortized cost of the financial liability. When calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not impaired) or the amortized cost of the liability. However, in the case of financial assets that have deteriorated after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset ceases to be impaired, interest income reverts to a gross basis.

Current and deferred taxes

Income tax expense for the year is determined on the basis of current legislation and the rates applicable at the balance sheet date. Income taxes are recognized in the income statement.

Deferred tax liabilities are calculated on all temporary differences between the fiscal value and the book value of assets and liabilities in the financial statements for the period.

Deferred tax liabilities and assets are computed using tax rates and laws that have been enacted as of the closing date of the financial statements, or substantially enacted, and that are expected to apply upon the reversal of the temporary differences giving rise to the recognition of deferred taxes.

Deferred tax assets on tax losses, as well as on temporary differences, are recorded in the financial statements only if it is probable that, at the time of the reversal of the temporary differences, there will be sufficient taxable income to offset them. Deferred tax assets are reviewed at the end of each financial year and, if necessary, reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future to allow all or part of this credit to be utilized.

The estimate of *fair value*

The *fair value* of financial instruments listed on an active market is determined on the basis of market prices at the reporting date. The reference market price for financial assets held by the Group is the current sale price (purchase price for financial liabilities).

The *fair value* of financial instruments that are not traded on an active market is determined using various valuation techniques and assumptions based on market conditions at the reporting date. For medium and long-term liabilities, the prices of similar listed financial instruments are compared; for the other categories of financial instruments, the cash flows are discounted.

The *fair value* of IRSs is determined by discounting the estimated cash flows deriving from them at the reporting date. For loans, it is assumed that the nominal value, net of any adjustments made to take int account their collectability, approximates the*fair value*. The *fair value* of financial liabilities for disclosure purposes is determined by discounting the cash flows from the contract at an interest rate that approximates the market rate at which the entity is financed.

Discretionary measurements and significant accounting estimates

The preparation of financial statements requires management to make a number of subjective assumptions and estimates based on past experience.

The application of these estimates and assumptions influences the amount of assets and liabilities recorded in the balance sheet, as well as the costs and income recorded in the income statement. Actual results may differ even significantly from the estimates made, given the natural uncertainty surrounding the assumptions and conditions on which the estimates are based.

In particular, taking into account the uncertainty that remains in some markets and in the economic and financial context in which the Group operates, it cannot exclude the possibility that, in the next financial year, results may differ from estimates and that, therefore, adjustments, even significant, may be required to the book value of the relevant items. The financial statement items primarily affected by these uncertainties are:

Research and development costs that meet the requirements for their capitalization are recorded under Intangible Assets. The average life of research and development projects is estimated to be 5 to 10 years, which represents the average period over which the products are estimated to generate cash flows for the Group.

Provisions for doubtful debts: provisions for doubtful debts are determined on the basis of an analysis of individual credit positions and in the light of past experience in terms of debt collection and relations with individual customers. In the event of a sudden deterioration in the financial conditions of an important client, this could result in the need to adjust the allowance for doubtful accounts, with consequent negative repercussions in terms of the economic result.

In order to determine **inventory write-downs**, the Group makes a series of estimates regarding the future requirements of the various types of products and materials held in inventory, based on its production plans and past experience of customer demand. If these estimates do not prove to be appropriate, this will result in an adjustment to the obsolescence reserves, with the associated impact on the income statement.

Changes in accounting principles

Accounting standards and interpretations adopted by the European Union with effect from 01/01/2021

In compliance with the requirements of IAS 8 (Accounting standards, changes in accounting estimates and errors), the IFRS in force as of 01/01/2021 are briefly illustrated below.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase2

In August 2020, the IASB issued amendments to IFRS9, IAS 39, IFRS 7, IFRS4, and IFRS 16. These changes supplement those made in 2019 ("IBOR - Phase 1") and focus on the effects on entities when an existing benchmark interest rate is replaced with a new benchmark rate as a result of the reform.

Amendments to IFRS 16 Leases: Covid-19 Related Rent Concessions beyond June 30, 2021

In May 2020, the IASB issued an amendment to IFRS 16 COVID 19 Related Rent Concessions. This change provided a practical expedient to account for the reduction in rent due to COVID 19. The 2020 practical expedient was available for rent reductions that affected only payments originally due by June 30, 2021. On March 31, 2021, the IASB issued COVID-19 Amendment Related Rent Concessions beyond June 30, 2021, which extended the period to qualify for the practical expedient from June 30, 2021 to June 30, 2022. This amendment is effective for fiscal years beginning on or after April 1, 2021.

Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9: Temporary extension from the application of IFRS 9

Currently, under IFRS 4 - Insurance Contracts, the effective date for the application of IFRS 9, for the temporary exemption of IFRS 9 is January 1, 2021. The Exposure Draft on Amendments to IFRS 17, issued in

May 2019, proposed to extend the temporary exemption from IFRS 9 by one year. Subsequently, based on IASB restatements, the effective date of IFRS 9 was further extended to January 1, 2023 in order to align it with the effective date of IFRS 17 Insurance Contracts. In this regard, the Board issued the extension of the temporary exemption from the application of IFRS 9 (Amendments to IFRS 4) on June 25, 2020. EFRAG (3) confirmed its view that there was a need for a level playing field in the insurance industry in the application of the temporary exemption from IFRS 9, believing that the temporary exemption from the application of IFRS 9 should not be extended to banking activities that are significant at the reporting entity level. EFRAG therefore proposed to consider the issuance of a significant amount of insurance contracts under IFRS 4 as an indicator of non-primary banking activity. EFRAG also believes that the changes do not present cost issues of many entities that conduct insurance business and are not predominant insurers. EFRAG could not rule out the possibility that the amendments might create a competition problem, but was still unable to conclude whether this is economically relevant. Accordingly, EFRAG issued an endorsement notice regarding these amendments which were endorsed on January 13, 2021 and published in the OJE on January 14, 2021 with mandatory application for financial statements beginning January 1, 2021 of IFRS adopters in member countries.

The adoption of these amendments/interpretations had no impact on the consolidated financial statements as of 31/12/2021.

Accounting standards approved by the European Union but not yet compulsorily applicable

As of the date of this Annual Report, the following standards have been endorsed by the European Union but are not yet compulsorily applicable.

Improvements to IFRS (2018-2020 cycle): Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, and IAS 41 Agriculture and Illustrative Examples accompanying IFRS 16 Leases.

Amendments to IFRS 3, IAS 16 and IAS 37

Regarding the Reference to the Conceptual Framework Amendments to IFRS 3, in May 2020, the IASB issued amendments to IFRS 3 that update a reference to the Conceptual Framework for Financial Reporting without changing its accounting requirements for business combinations. Early application of the amendment is permitted. The amendments to IAS 37 concerned the issue of costs to fulfill the contract in the context of onerous contracts. Specifically, in May 2020, the IASB issued amendments to IAS 37 par. 68A, which specify the costs that a firm must include in assessing whether a contract will be loss-making and is therefore recognized as an onerous contract. These changes should result in more contracts being accounted for as onerous contracts because they increase the costs that are included in the onerous contract valuation. The amendments to IAS 16 concerned the issue of Proceeds before Intended Use. Specifically, in May 2020, the IASB issued amendments to IAS 16 that prohibit a company from deducting from the cost of property, plant and equipment amounts received from the sale of items produced while the Group is preparing the asset for its intended use. Conversely, a company will recognize such sales proceeds and any related costs on the income statement.

IFRS 17 Insurance Contracts

The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts under IAS/IFRS. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents these contracts. This information provides users of financial statements with a basis for evaluating the effect that insurance contracts have on an entity's financial position, financial performance, and cash flows. IFRS 17 was issued in May 2017 and applies to annual periods beginning on or after January 1, 2023.

The Group will adopt these new standards, amendments and interpretations, based on the expected date of application.

Any impact on the consolidated financial statements deriving from the new standards/interpretations is still being assessed.

Accounting standards and interpretations issued by IASB and not yet approved by the European Union

As of the date of this Annual Report, the following standards have been issued by the IASB and have not yet been endorsed by the European Union.

Amendments to IAS 12 Presentation of Financial Statements

In May 2021, the IASB issued amendments to IAS 12 that clarify whether the exemption for initial recognition applies to certain transactions that result in the simultaneous recognition of both an asset and a liability (e.g., a lease within the scope of IFRS 16). The amendments introduce an additional criterion for the exemption from initial recognition provided by IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability that, at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information

In December 2021, the IASB amended IFRS 17 to add an option in the transition to address potential accounting mismatches between financial assets and liabilities related to insurance contracts in comparative information presented on initial application of IFRS 17 and IFRS 9, thereby improving the usefulness of comparative information for users of financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 that added the definition of accounting estimates in IAS 8. The amendments also clarified that the effects of a change in an input or valuation technique are changes in accounting estimates unless they result from the correction of prior period errors.

Amendments to IAS1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies

In January 2020, the IASB issued amendments to IAS 1 that clarify how an entity should classify liabilities as current or non-current. These changes are expected to have a significant impact on many entities with more liabilities classified as current, particularly those with loan-related covenants. The amendments, once approved, will become mandatory for financial statements beginning on or after January 1, 2023. In February 2021, the IASB issued amendments to IAS 1 that change the disclosure requirements for accounting standards from "significant accounting policies" to "significant accounting policy disclosures." The amendments provide guidance on when accounting policy disclosures are likely to be considered material. The amendments to IAS 1 are effective for fiscal years beginning on or after January 1, 2023, early application is permitted.

IFRS 14 Regulatory Deferral Accounts.

Approval process suspended pending new accounting standard on "rate-regulated activities".

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

Endorsement process suspended pending conclusion of the IASB project on the equity method.

The Group will adopt these new standards, amendments and interpretations, based on the expected date of application.

Any impact on the consolidated financial statements deriving from the new standards/interpretations is still being assessed.

CHAPTER 7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31/12/2021

Segment reporting

In application of IFRS 8, the Group's *management*, consistent with the organizational structure of the OSAI Group, has identified its Automation, Electronics and Applied Laser, Semiconductor, and Service Divisions as the operating segments subject to reporting.

AUTOMATION Division

The division deals with the design, manufacturing and marketing of custom automatic lines and systems for assembly processes, testing and inspection of components in various markets such as: automotive, *e-mobility*, medical and home appliance.

ELECTRONICS AND APPLIED LASER Division

The division deals with the design, manufacturing and marketing of standard or customized LASER systems for printed circuit board manufacturers or for micromechanical applications, such as those used in the production of medical devices.

SEMICONDUCTOR Division

This division deals with the design, manufacturing and marketing of standard or custom automated systems for the *handling* and testing of power and signal semiconductors for global semiconductor manufacturers.

SERVICE/AFTER SALES Division

This division provides after-sales services to the Group's customers worldwide, through the provision of on-site or remote technical assistance and spare parts.

The following tables show the financial information directly associated to the Divisions, as described above.

Note that the EBITDA for each Division and shown in the table takes into account the direct operating costs (allocated by Division) and indirect operating costs (not allocated by Division). The Group Margin takes into account not only the operating costs (direct and indirect) but also central costs.

In addition, for the purpose of calculating the margins of each Divisions, the value of operating production, which does not include capitalization, is taken into account. The EBITDA value is also shown to reconcile it with the figures in the Financial Statements.

At the internal control level, balance sheet items are not associated to divisions as they are managed centrally.

For further details on the performance of the individual divisions, reference should be made to the more detailed information contained in the Management Report.

ECONOMIC PERFORMANCE OF THE DIVISIONS (Eur/000)	Automation	Electronics and Laser	Semiconductors	Service	OPERATING PROFIT	Operating costs to be allocated pro-rata	Unallocated Central Services	GENERAL TOTAL
	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021
TOTAL SALES	**12,656**	**4,898**	**18,076**	**3,197**	**38,827**	**-**	**-**	**38,827**
- Change in inventories of finished goods and work in progress	(6,917)	(123)	(1,348)	-	(8,388)	(1,537)	-	(9,925)
- Other operating revenues	-	-	-	-	-	1,311	-	1,311
VALUE OF OPERATING PRODUCTION (1)	**5,739**	**4,775**	**16,728**	**3,197**	**30,439**	**(226)**	**-**	**30,213**
- Product cost (raw materials and outsourcing)	(3,124)	(1,731)	(5,568)	(1,338)	(11,761)	174	-	(11,587)
- Sales commissions	(33)	-	(97)	(17)	(147)	-	-	(147)
MOL Level 1	**2,582**	**3,044**	**11,063**	**1,842**	**18,531**	**(52)**	**-**	**18,479**
MOL 1 Margin % (3)	**45%**	**64%**	**66%**	**58%**	**61%**	**ND**	**ND**	**61%**
- Personnel expenses	(1,085)	(407)	(1,247)	(652)	(3,391)	(5,518)	(3,762)	(12,671)
- Other operating costs	(157)	(80)	(507)	(161)	(905)	(70)	(2,997)	(3,972)
TOTAL FIXED COSTS (2)	**(1,242)**	**(486)**	**(1,753)**	**(812)**	**(4,295)**	**(5,588)**	**(6,759)**	**(16,642)**
MOL Level 2	**1,340**	**2,557**	**9,309**	**1,029**	**14,235**	**(5,640)**	**(6,759)**	**1,836**
MOL 2 Margin %	**23%**	**54%**	**56%**	**32%**	**47%**	**ND**	**ND**	**6%**
- Operating costs to be allocated pro-rata	(786)	(926)	(3,367)	(561)	(5,640)	5,640	-	-
MOL Level 3 (3)	**554**	**1,631**	**5,942**	**468:**	**8,595**	**-**	**(6,759)**	**1,836**
MOL 3 Margin % (4)	**10%**	**34%**	**36%**	**15%**	**28%**	**0%**	**ND**	**6%**
- Capitalizations	-	-	-	-	-	2,400	-	2,400
GROSS OPERATING MARGIN (EBITDA)	**554**	**1,631**	**5,942**	**468:**	**8,595**	**2,400**	**-**	**4,236**
EBITDA Margin % (5)	**10%**	**34%**	**36%**	**15%**	**28%**	**ND**	**ND**	**12.99%**

ECONOMIC PERFORMANCE OF THE DIVISIONS (Eur/000)	Automation	Electronics and Laser	Semiconductors	Service	OPERATING PROFIT	Operating costs to be allocated pro-rata	Unallocated Central Services	GENERAL TOTAL
	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020
TOTAL SALES	**7,983**	**4,198**	**9,533**	**1,750**	**23,464**	**-**	**-**	**23,464**
- Change in inventories of finished goods and work in progress	1,705	(230)	5,076	-	6,551	720	-	7,271
- Other operating revenues	-	-	-	-	-	733	-	733
VALUE OF OPERATING PRODUCTION (1)	**9,688**	**3,968**	**14,609**	**1,750**	**30,015**	**1,453**	**-**	**31,468**
- Product cost (raw materials and outsourcing)	(5,179)	(1,883)	(5,000)	(813)	12.875:	52	-	(12,823)
- Sales commissions	(74)	-	(342)	-	(416)	-	-	(416)
MOL Level 1	**4,435**	**2,085**	**9,267**	**937**	**16,724**	**1,505**	**-**	**18,229**
MOL 1 Margin % (3)	**46%**	**53%**	**63%**	**54%**	**56%**	**ND**	**ND**	**58%**
- Personnel expenses	(1,514)	(388)	(1,560)	(606)	(4,068)	(4,229)	(3,625)	(11,922)
- Other operating costs	(194)	(152)	(588)	(42)	(976)	(52)	(2,392)	(3,420)
TOTAL FIXED COSTS (2)	**1.708:**	**(539)**	**(2,147)**	**(647)**	**(5,043)**	**(4,281)**	**(6,017)**	**(15,341)**
MOL Level 2	**2,727**	**1,545**	**7,119**	**289**	**11,680**	**(2,776)**	**(6,017)**	**2,887**
MOL 2 Margin %	**28%**	**39%**	**49%**	**17%**	**39%**	**ND**	**ND**	**9%**
- Operating costs to be allocated pro-rata	(736)	(346)	(1,539)	(155)	(2,776)	2,776	-	-
MOL Level 3 (3)	**1,991**	**1,199**	**5,580**	**134**	**8,904**	**-**	**(6,017)**	**2,887**
MOL 3 Margin % (4)	**21%**	**30%**	**38%**	**8%**	**30%**	**0%**	**ND**	**9%**
- Capitalizations	-	-	-	-	-	1,685	-	1,685
GROSS OPERATING MARGIN (EBITDA)	**1,991**	**1,199**	**5,580**	**134**	**8,904**	**1,685**	**-**	**4,572**
EBITDA Margin % (5)	**21%**	**30%**	**38%**	**8%**	**30%**	**ND**	**ND**	**13.79%**

(1) Value of production not including capitalizations
(2) Total fixed costs not including sales commissions
(3) Margin generated by the individual division including only the operating margin equal to the EBITDA with exclusion of capitalizations
(4) Calculated on the value of production
(5) Calculated on the value of production, including capitalized costs

BALANCE SHEET - FINANCIAL SITUATION

1. Property, plant and equipment

Property, plant and equipment as of 31/12/2021 totaled 11,622,000 euros, up 247,000 euros from 31/12/2020.

See the table below for more detail.

The item **Land and Buildings**, amounting to 3,519,000 euros, includes:

PROPERTY, PLANT AND EQUIPMENT (Eur/000)	LAND AND BUILDINGS	PLANTS AND MACHINERY	IND. AND COMMERCIAL EQUIPMENT	OTHER ASSETS	WORK IN PROGRESS	TOTAL
Net value as of 31/12/2019	3,773	5,809	661	1,617	-	11,860
Of which rights of use IFRS16	3,773	959	-	1,240	-	5,972
2020 Financial Year:						
Increases	23	-	76	454	809	1,362
Decreases/Disposals	-	-	-	-	-	-
Reclassifications	-	617	-	-	(584)	33
Amortization, depreciation & write-downs	(338)	(616)	(381)	(544)	-	(1,879)
Currency differences	-	-	-	(1)	-	(1)
Net value at 31/12/2020	3,458	5,810	356	1,526	225	11,375
2021 Financial Year:						
Increases	422	637	128	230	1,245	2,662
Decreases/Disposals	(20)	(674)	(2)	-	-	(696)
Reclassifications	-	74		-	-	74
Amortization, depreciation & write-downs	(342)	(593)	(258)	(600)	-	(1,793)
Currency differences	1	(1)	-	-	-	-
Net value at 31/12/2021	**3,519**	**5,253**	**224**	**1,156**	**1,470**	**11,622**
Of which rights of use IFRS16:						
Net value at 31/12/2020	3,458	775	-	1,240	-	5.473:
Increases	134	-	-	180	-	314
Decreases/Disposals	(20)	(674)	-	-	-	(694)
Reclassifications	-	-	-	-	-	-
Amortization, depreciation & write-downs	(342)	(101)	-	(480)	-	(923)
Currency differences	-	-	-		-	-
Total rights of use at 31/12/2021	**3,230**	**-**	**-**	**940**	**-**	**4,170**

- Land purchased during the year for a total value of 288,000 euros;

- Rights of use on leased instrumental buildings, deriving from the application of IFRS16 for 3,230,000 euros.

The item **Plant and Machinery**, amounting to 5,253,000 euros, decreased by a total of 557,000 euros due to the combined effect of amortization and depreciation for the year totaling 593,000 euros and the early redemption of three leases with the consequent derecognizing of the value of the *right of use* previously recorded, posted for a total of 674,000 euros.

Industrial and commercial equipment, amounting to 224,000 euros, decreased by a total of 132,000 euros.

Other assets, amounting to 1,156,000 euros, decreased by a total of 370,000 euros due to purchases and depreciation during the period. It should be noted that this item includes rights of use for electronic office equipment and vehicles on hire for 940,000 euros.

Assets in progress increased by 1,245,000 euros following the in-house construction of two new machines, one of which derives from the continuation of work begun during the previous FY. The implementation of the assets is not yet complete as of December 31, 2021.

2. Intangible fixed assets

Intangible fixed assets as of 31/12/2021 total 3,384,000 euros, up 510,000 euros on 31/12/2020.

See the table below for more detail.

As reflected in the changes during the period, most of the increases in 2021, relate to assets under construction and development costs.

Capitalized development costs refer entirely to expenses incurred for the development of application technologies for automation equipment built and sold. Technological development should be considered

INTANGIBLE ASSETS (Eur/000)	SOFTWARE	DEVELOPMENT COSTS	PATENTS	WORK IN PROGRESS	TOTAL
Net value at 31/12/2019	112	1,947	16	667	2,742
2020 Financial Year:					
Increases	63	-	6	876	945
Decreases/Disposals	-	-	-	-	-
Reclassifications	-	457	-	(457)	-
Amortization, depreciation & write-downs	(123)	(682)	(8)	-	(813)
Currency differences	-	-	-	-	-
Net value at 31/12/2020	52	1,722	14	1,086	2,874
2021 Financial Year:					
Increases	146	-	3	1,154	1,303
Decreases/Disposals	-	-	-	-	-
Reclassifications	-	315	-	(315)	-
Amortization, depreciation & write-downs	(52)	(735)	(6)	-	(793)
Currency differences	-	-	-	-	-
Net value as of 31/12/2021	**146**	**1,302**	**11**	**1,925**	**3,384**

essential and inherent to the Group's activities. During 2021 a project previously recorded under assets in progress for 315,000 euros was completed.

Intangible fixed assets in progress refer entirely to capitalized development costs for projects still in progress at the end of the period.

Development costs have been capitalized if the conditions provided for in IAS 38 are met. The technical feasibility and generation of probable future economic benefits have been verified for all capitalized new project development activities. Costs capitalized on development projects are monitored individually and are measured by the economic benefits expected to be derived from their operation. Costs capitalized on projects for which the technical feasibility is uncertain or no longer strategic are charged to the income statement. The rate used in the valuation of in-house development hours reflects the industrial hourly cost of dedicated staff.

The costs capitalized and posted under the item "development costs" are related to specific products, processes and/or well-defined, identifiable and measurable projects, the recoverability of which is in all cases guaranteed by adequate income prospects, analyzed in detail by the Directors.

Items not yet amortized refer to projects to be considered completed in terms of investments made but which, at the end of the financial year, have not yet generated their usefulness in profit terms.

Software increased by 146,000 euros due to the implementation of the management system.

Patent fees include the cost of registering patents. The increase for the year amounted to 3,000 euros.

It should be noted that all the amounts entered under intangible fixed assets refer to items pertaining only to the Parent Company.

3. Investments

Investments as of 31/12/2021 total 126,000 euros, up 25,000 euros on 31/12/2020.

OTHER INVESTMENTS (Eur/000)	Value of equity investment at beginning of year	Increases	Write-downs	Net value as of 31/12/2021
ICONA S.r.l. - Italia	100	-	-	100
CIAC S.c.r.l. - Italia	-	25	-	25
Unionfidi	1	-	-	1
TOTAL	**101**	**25**	**-**	**126**

The change compared to the previous period relates to the subscription of the share capital increase in Ciac S.c.r.l. by 25 shares in the amount of 1,000 euros each.

The equity investment in ICONA S.r.l. (ICO NUOVO AMPLIAMENTO S.r.l.) refers to a 5.56% stake in the company's share capital purchased by the Group during the 2018 financial year at a cost of €100,000 (equal to the carrying amount). The activity of the investee company is aimed at achieving the social purpose of redevelopment of the Canavese industrial area.

At the time of writing, the latest approved and available financial statements are those closed at 31/12/2020, which show shareholders' equity of 1,744,000 euros. Provisional data for the subsidiary as of September 30, 2021 was also acquired.

The portion of shareholders' equity of the subsidiary company pertaining to Osai A.S. S.p.A. does not show substantial differences compared to the value posted to the financial statements. Therefore, its *fair value* is deemed to be substantially equal to cost.

4. Current and non-current financial assets

Non-current and current financial assets as of 31/12/2021 amount to 1,472,000 euros, up 207,000 euros on 31/12/2020.

The following table shows changes in non-current and current financial assets:

NON-CURRENT AND CURRENT FINANCIAL ASSETS (Eur/000)	31/12/21	31/12/20	Change	% Chg
Investment securities	48	33	15	45%
Derivative financial instruments (assets)	-	-	-	0%
Total non-current	48	33	15	45%
Securities	1,424	1,232	192	16%
Total current	1,424	1,232	192	16%
GENERAL TOTAL	**1,472**	**1,265**	**207**	**16%**

Financial assets, recorded at *fair value*, refer to:

- for the non-current portion at No. 18,000 shares of Banco BPM whose *fair value* at December 31, 2021 is 48,000 euros;
- for the current portion to equity and bond investment funds referring to accumulation plans in EU funds set aside to meet any cash requirements for the payment of employee benefits.

The difference between the *fair value* at the end of the year and the cost incurred in the acquisition of financial assets is posted to a specific shareholders' equity reserve called the FVOCI*(Fair Value to OCI*) reserve, net of the related tax effect, and the related gains/losses are reported in the Comprehensive Income Statement.

It should be noted that all the amounts posted under financial assets refer to items pertaining only to the Parent Company.

5. Other non-current and current receivables

Other non-current and current receivables as of 31/12/2021 totaled 1,239,000 euros, up 330,000 euros compared to 31/12/2020.

The following table shows the changes in Other non-current and current receivables.

OTHER NON-CURRENT AND CURRENT RECEIVABLES (Eur/000)	31/12/21	31/12/20	Change	% Chg
Security deposits	134	92	42	46%
Tax credits over 12 months	382	193	189	98%
Miscellaneous	-	3	(3)	-100%
Total non-current	516	288	228	44%
Advances to suppliers	215	70	145	207%
Contributions to be received	-	142	(142)	-100%
Loans to employees	218	189	29	15%
Prepayments	273	217	56	26%

Miscellaneous	17	3	14	0%
Total current	723	621	102	148%
GENERAL TOTAL	**1,239**	**909**	**330**	**192%**

6. Deferred tax assets

Deferred tax assets as of December 31, 2021 amount to 829,000 euros, up 287,000 euros from 31/12/2020.

The following table shows the changes in Deferred Tax Assets during fiscal year 2021.

DEFERRED TAX ASSETS (Eur/000)	
Opening balance	542
Increases	430
Decreases	-143
Closing balance	**829**

The composition of deferred tax assets is shown below.

DEFERRED TAX ASSETS (Eur/000)	31/12/21	31/12/20	Change	% Chg
Provisions to reserves not deducted	140	88	52	59%
FTA-IFRS post conversion	232	269	-37	-14%
Employee benefits (IAS 19)	170	138	32	23%
Unused tax losses	220	0	220	100%
Other unused tax benefits	53	0	53	100%
Other temporary differences	14	47	-33	-70%
Total	**829**	**542**	**287**	**53%**

Deferred tax assets have been recorded in the financial statements only when the conditions for their recovery exist. The assessment of the recoverability of deferred tax assets takes into account the expected profitability in future years. Deferred tax assets on tax loss carryforwards have been recognized to the extent that it is probable that future taxable income will be available against which they can be recovered. In the light of the above, no elements have arisen that would alter the previous assessments regarding the recoverability of deferred tax assets.

7. Inventories

Inventories as of 31/12/2021 total 22,459,000 euros, net of allowance for doubtful accounts, down 9,787,000 euros compared to 31/12/2020.

The following table shows the breakdown of inventories as of 31/12/2021 and 31/12/2020.

INVENTORY (Eur/000)	31/12/21	31/12/20	Change	% Chg
Raw materials inventories	2,660	2,459	201	8%
Provision for obsolescence of raw materials	(63)	-	(63)	0%
Work in progress and semi-finished products	4,497	5,605	(1,108)	-20%
Works in progress under contract	9,245	5,361	3,884	72%

Finished products and goods inventories	5	434	(429)	-99%
WIP pending installation	6,115	18,387	(12,272)	-67%
TOTAL	**22,459**	**32,246**	**(9,787)**	**-67%**

The valuation allowance during 2021 changed as follows:

INVENTORY WRITE-DOWN (Euro 000's)	
Opening balance	-
Provision for the period	63
Uses during the period	-
Exchange rate effect	-
Closing balance	**63**

8. Trade receivables

Trade receivables as of 31/12/2021 total 11,566,000 euros, up 1,883,000 euros compared to 31/12/2020.

TRADE RECEIVABLES (Eur/000)	31/12/21	31/12/20	Change	% Chg
Trade receivables	11,651	9,742	1,909	20%
Gross trade receivables	11,651	9,742	1,909	20%
Doubtful debt provision	(85)	(59)	(26)	44%
TOTAL	**11,566**	**9,683**	**1,883**	**19%**

The valuation allowance during 2021 changed as follows:

DOUBTFUL DEBT PROVISION (Eur/000)	
Opening balance	59
Amounts used	(59)
Provisions	85
Exchange rate effect	-
Closing balance	**85**

In application of IFRS 9 principles, the Group evaluates trade receivables on the basis of the individual credit position.

The high average *credit standing* of customers, the absence of a significant concentration of credit, reduce credit risk and make the allowance for doubtful accounts adequate.

The breakdown of trade receivables by maturity is shown below:

RECEIVABLES BY MATURITY (Eur/000)	
To expire	5,420
Expired 0-180 days	4,804
Expired 180-365 days	386
Expired after one year	1,041
TOTAL	**11,651**

The presence in the financial statements of overdue trade receivables for significant amounts is linked to orders for machinery delivered in 2020 and not installed in the same year due to the travel difficulties caused by the pandemic.

It should be noted that receivables past due over 180 days were almost entirely collected in the first few months of 2022 and the remainder is expected to be collected by March and April of this year.

9. Current taxes receivable

Current tax credits as of 31/12/2021 amount to 801,000 euros, up 242,000 euros on 31/12/2020. Details are provided in the table below:

RECEIVABLES FOR CURRENT TAXES (Eur/000)	31/12/21	31/12/20	Change	% Chg
VAT receivables	238	147	91	62%
Receivables and advances relating to direct taxes	181	302	(121)	-40%
Tax credits usable within 12 months	382	110	272	247%
Other receivables for minor tax assets	-	-	-	0%
TOTAL	**801**	**559**	**242**	**43%**

10. Cash and cash equivalents

Cash and cash equivalents as of 31/12/2021 amount to 9,179,000 euros, up 4,459,000 euros from 31/12/2020. Details are provided in the table below:

CASH AND CASH EQUIVALENTS (Eur/000)	31/12/21	31/12/20	Change	% Chg
Bank accounts	9,142	4,680	4,462	95%
Cash and cash equivalents	37	40	(3)	-8%
TOTAL	**9,179**	**4,720**	**4,459**	**94%**

NET EQUITY AND LIABILITIES

11. Net Equity

For changes in Net Equity, reference should be made to the "Statement of Changes in Net Equity".

Share capital

As of December 31, 2021, the share capital amounts to EUR 1,598,640.90, divided into 15,986,409 ordinary shares with a par value of EUR 0.10 each.

During the year, the share capital of the Parent Company increased by a total of 198,640.90 euros in correspondence with the opportunity to implement the warrants issued at the time of listing on October 31, 2020:

- Short run warrant / April 2021 99,120.00 euros
- Warrant OSAI A.S. S.p.A. 2021-2025 / June 2021: 91,702.40 euros
- Warrant OSAI A.S. S.p.A. 2021-2025 / October 2021: 7,818.50 euros.

Following is a reconciliation between the number of shares outstanding at December 31, 2020 and at December 31, 2021

	Al 31 December 2020	Share capital increases	(Purchases)/Sales of treasury shares	At 31 December 2021
Ordinary shares issued	14,000,000	1,986,409	0	15,986,409
Minus: Treasury shares	0	0	0	0
Outstanding ordinary shares	**14,000,000**	**1,986,409**	**0**	**15,986,409**

Share premium reserve

The share premium reserve, amounting to 8,428,000 euros, rose by 3,641,000 euros compared to the previous financial year following the capital increases described in the previous section.

This reserve moves for the first time during 2020 as a result of the IPO transaction.

The values of the share premium are posted net of listing and capital increase costs as provided for by IAS 32 (paragraphs 35-35A and 37).

Legal reserve

This item amounts to 213,000 euros and increased by 13,000 euros due to the allocation of the prior year's net income.

Other items of Net' Equity

Other Net Equity items are summarized as follows:

- **Reserve for hedging transactions**(*Cash Flow Hedge*: this item will zero in 2021 due to the effect of the disposal of derivative contracts previously entered into by the Group;
- **FTA reserve**: this item as of December 31, 2021 is negative by 1,683,000 euros and has not changed since December 31, 2020. This item was posted on the first-time adoption of international accounting standards as of 01/01/2020;
- **Reserve for actuarial gains and losses**, employee severance indemnities: this item as of December 31, 2021 is negative by 189,000 euros and relates, in compliance with IAS 19 *revised*, to the effect of actuarial gains/losses on employee severance indemnities, net of the tax effect;
- **FVOCI reserve**: this item as of December 31, 2021 amounts to 30,000 euros and has been set aside against the recording of valuation differences of securities at *Fair Value*.
- **Conversion reserve**: this item as of December 31, 2021 is negative by 4,000 euros and has decreased in absolute terms by 44,000 euros.

Retained earnings/(losses) carried forward

The item as of 31/12/2021 is equal to 6,626,000 euros and includes the results of previous financial years not distributed and not allocated to reserves of a different nature. It also includes the amounts related to the differences in accounting treatment that emerged on the date of transition to IAS/IFRS, which can be traced to the adjustments as of 31/12/2020 made to the balances on the financial statements prepared in compliance with national accounting standards.

This item also includes the Reserve as per art. 60 of Law Decree 104/2020 formed from earnings and accrued as a result of the Parent Company's use of the amortization suspension option in the 2020 financial statements prior to IAS/IFRS transition. With the transition to international accounting standards and the impossibility of using the option expressed by the rule, this reserve can be reallocated to unrestricted profit reserves.

Dividends

The Group did not pay any dividends during 2021.

Profit (loss) for the period

This item amounts to 906,000 euros.

Overall profit (loss) for the period

In addition to net income for the period, the total income of 837,000 euros includes the following additional items:

- Actuarial losses on employee benefits, net of the related tax effect, totaling 131,000 euros;
- *Fair value* differences on financial assets, net of the related tax effect of 21,000 euros.
- arising from the conversion differences of the financial statements of the consolidated companies in foreign currency, for a total of 41,000 euros.

Reconciliation between net equity and profit of the Parent Company and the consolidated financial statements

The table below shows the reconciliation of the FY 2021 and the net equity of the Group as of 31/12/2021 with the corresponding figures for the Parent Company OSAI AUTOMATION SYSTEM S.p.A.

RECONCILIATION BETWEEN NET EQUITY AND PROFIT OF THE PARENT COMPANY OF THE GROUP AND THE CONSOLIDATED FINANCIAL STATEMENTS (Eur/000)	NE at 31/12/20	Changes 2021	Profit (Loss) 2021	NE at 31/12/21
Separate Financial Statements of Osai Automation System S.p.A.	11,734	3,752	878	16,364
Parent company FTA reserve	(319)	-	-	(319)
Subsidiaries FTA reserve	(68)	-	-	(68)
Retained earnings parent company FTA	216	-	-	216
Retained earnings subsidiaries FTA	55	-	-	55
Elimination of equity investments	(376)	39	32	(305)
Intra-group asset disposals	(15)	-	(3)	(18)
Exchange rate differences on inter-group eliminations	-	(1)	-	(1)
Other minor entries	-	2	-	2
Consolidated Financial Statements of the OSAI Group	**11,227**	**3,792**	**907**	**15,926**

Finally, total shareholders' equity of 15,926,000 euros is entirely attributable to the Parent Company's shareholders.

12. Total current and non-current loans

These items only include amounts due to banks for the granting of short-term lines of credit and for loans.

Non-Current Loans total 11,239,000 euros, up 311,000 euros from December 31, 2020.

Current loans total 6,572,000 euros, up 1,498,000 euros compared to December 31, 2020.

The following is a breakdown of the Group's bank exposure outstanding as of 31/12/2021:

CURRENT AND NON-CURRENT FINANCING (Eur/000)	31/12/21	31/12/20	Change	% Chg
Loans and other financing - non-current portion	11,239	10,928	311	3%
Total long-term borrowings	11,239	10,928	311	3%
Short-term payables to credit institutions	3,106	2,765	341	12%
Loans and other financing - current portion	3,466	2,309	1,157	50%
Total current borrowings	6,572	5,074	1,498	30%
TOTAL	**17,811**	**16,002**	**1,809**	**11%**

Compared to the financial statements as of 31/12/2020, the Group's financial debt increased by a total of 1,809,000 euros.

During 2021, the Group took out four new loans totaling 5,610,000 euros.

The Group's bank debt and other borrowings are shown below.

BORROWINGS FROM BANKS AND OTHER FINANCING - CHANGE (Eur/000)	
Payables to banks and other current loans as of 31/12/2020	5,074
Payables to banks and other non-current loans as of 31/12/2020	10,928
Payables to banks and other loans at 31/12/2020	**16,002**
Financing	5,610
Loan repayments	(4,141)
Change in credit line payables	340
Payables to banks and other loans at 31/12/2021	**17,811**
of which:	
Payables to banks and other current loans as of 31/12/2021	6,572
Payables to banks and other non-current loans as of 31/12/2021	11,239
Payables to banks and other loans at 31/12/2021	**17,811**

The maturity date and the current and non-current portions of each loan, valued at amortized cost, are shown below.

Liability detail	Expiry date	Current portion	Non-current	Total	Effective rate
Loans					
BANCA D'ALBA - SACE Guarantee	31/12/23	157	159	316	Euribor 3m + spread 2.20%
BANCO BPM - MCC Guarantee	30/09/23	313	236	549	Euribor 3m + spread 1.8%
INTESA SAN PAOLO	24/05/24	201	315	516	Euribor 3m + spread 3.25%
BANCO BPM	31/01/25	520	1,113	1,633	Euribor 3m +spread 1.35%
CASSA DI RISPARMIO DI BRA	07/12/23	161	164	325	Euribor 3m +spread 1.5%
INTESA SAN PAOLO - MCC Guarantee	30/09/25	236	682	918	Euribor 3m +spread 3.05%
BANCA D'ALBA - SACE Guarantee	30/09/26	197	745	942	Euribor 3m +spread 2.4%
BANCO BPM - MCC Guarantee	10/06/24	326	504	830	Euribor 3m + spread 1.75%
BANCA D'ALBA - MCC Guarantee	23/07/25	109	290	399	Fixed rate 1.5%
INTESA SAN PAOLO - MCC Guarantee	31/08/26	243	921	1,164	Euribor 1m + spread 1.8%
BPER - MCC Guarantee	07/10/26	291	1,207	1,498	Fixed rate 1.4%
ASCOMFIDI - MCC Guarantee	05/04/25	29	74	103	Fixed rate 3.5%
INTESA SAN PAOLO- SACE Guarantee	31/12/27	-	352	352	Fixed rate 0.55%
BANCO BPM- SACE Guarantee	31/03/27	658	3,809	4,467	Euribor 3m + spread 1.35%
INTESA SAN PAOLO - MCC Guarantee	30/08/28	25	668	693	Euribor 3m + spread 2.17%
Total loans		**3,466**	**11,239**	**14,705**	

The following table shows the distribution of bank loan payments over time.

CURRENT AND NON-CURRENT FINANCING - DISTRIBUTION OVER TIME (Eur/000)	2022	2023	2024	2025 and beyond	TOTAL
Current bank payables	3,106	-	-	-	3,106
Current account of non-current borrowings	3,466				3,466
Non-current financial debt	-	3,751	3,054	4,434	11,239
TOTAL	**6,572**	**3,751**	**3,054**	**4,434**	**17,811**

13. Employee benefits

The item "Employee benefits" refers exclusively to the Employee Severance Indemnity paid by the Italian companies to their employees.

The balance of this item as of 31/12/2021 amounts to 3,479,000 euros, up 395,000 euros on 31/12/2020, and refers entirely to items relating to the Parent Company.

The TFR represents the indemnity provided for by Italian law that is accrued by employees during their working life and liquidated when the employee leaves. This allowance is considered a defined benefit fund, subject to actuarial valuation for the portion related to anticipated future benefits and related to benefits already paid.

The breakdown of employee benefit liabilities at 31/12/2021 is shown below.

EMPLOYEE BENEFITS (Eur/000)	
Opening balance	3,084
Employee severance indemnity paid during the period	(248)
Service cost	550
Interest cost	17
Actuarial (Gains) losses	182
Units transferred to pension funds	(88)
Substitute tax	(18)
Closing balance	**3,479**

The Service Cost represents the annual cost, net of the financial component, and as of 31/12/2021 amounts to 550,000 euros.

The principal actuarial assumptions used to estimate the final employee benefit liability are as follows.

ACTUARIAL ASSUMPTIONS	31/12/21	31/12/20
Annual technical discount rate	0.98%	0.34%
Annual inflation rate	1.75%	0.80%
Annual rate of increase in severance pay	2.81%	2.10%
Annual rate of salary increase	0.50%	0.50%

The demographic technical bases used are shown below:

- Probability of death: reference to RG48 mortality tables published by the State General Accounting Office;
- Probability of incapacity: reference to INPS tables broken down by age and sex;
- Retirement Age: 100% upon attainment of AGO requirements as adjusted by Legislative Decree No. 4/2019;
- The annual frequencies of anticipation and turnover, have been derived from the historical experience and are both 4%.

As required by IAS19, the following tables provide a sensitivity analysis for each relevant actuarial assumption at the end of the financial year, showing the effects that would have occurred as a result of changes in the actuarial assumptions that were reasonably possible at that date, in absolute terms, an indication of the contributions for the following financial year, the average financial duration of the obligation and the payments envisaged by the plan.

Sensitivity analysis of the main valuation parameters (Euro 000's)	
Turnover rate +1.00%	3,431
Turnover rate -1.00%	3,532
Inflation rate +0.25%	3,545
Inflation rate -0.25%	3,414
Discount rate +0.25%	3,396
Discount rate -0.25%	3,565

The following are the outcomes of said analysis:

Service Cost and Duration	
Service Cost future annual (Eur/000)	497
Plan Duration (years)	**14.39**

Estimated future disbursements (Eur/000)	
Year 1	268
Year 2	324
Year 3	289
Year 4	351
Year 5	323

14. Trade payables and other non-current and current payables

As of 31/12/2021, the Group has Trade payables of 6,158,000 euros, an increase of 1,197,000 euros compared to 31/12//2020. Details are shown in the table below:

TRADE PAYABLES (Eur/000)	31/12/21	31/12/20	Change	% Chg
Trade payables to suppliers	4,962	3,669	1,293	35%
Other Trade payables	1,196	1,292	(96)	-7%
Total trade payables	**6,158**	**4,961**	**1,197**	**24%**

Other trade payables refer entirely to advances on payments to suppliers made via the so-called "confirming" platform to optimize cash flow.

The item Other non-current payables did not change during the year or in the previous year.

Other Current Payables show a balance as of 31/12//2021 of 14,585,000 euros, down 8,241,000 euros from 31/12/2020. Details are shown in the table below:

OTHER NON-CURRENT AND CURRENT PAYABLES (Eur/000)	31/12/21	31/12/20	Change	% Chg
Other non-current payables:				
Other non-current payables	-	-	-	-
Total non-current payables	-	-	-	-
Other current payables:				
Advances from customers on supplies in progress	5,330	1,519	3,811	251%
Advances from customers on supplies awaiting installation	6,787	18,774	(11,987)	-64%
Due to social security institutes	512	492	20	4%
Due to employees	1,479	1,560	(81)	-5%
Accrued liabilities and deferred income	103	127	(24)	-19%
Contributions on account	343	303	40	13%
Other payables	31	51	(20)	-39%
Total other current payables	14,585	22,826	(8,241)	-36%
GENERAL TOTAL	**14,585**	**22,826**	**(8,241)**	**-36%**

Total advances from clients of 12,117,000 euros as of December 31, 2021 are down 8,176,000 euros compared to the previous financial year. Advance payments from customers represent the largest share of other payables and are broken down between supplies for which, respectively, no sale or installation has been completed at the end of the financial year (ex IFRS 15).

Social security and welfare payables refer to amounts due to social security and welfare institutions (specifically INPS and other forms of assistance).

Amounts due to staff refer to sums accrued but not yet paid in relation to unused vacation entitlements and residual paid leave, production bonuses, incentives accrued for executive and sales staff and advances on travel expenses incurred on behalf of the Company by employees on secondment.

15. Deferred tax liabilities

Deferred tax liabilities as of 31/12/2021 amount to 17,000 euros, down 145,000 euros on 31/12/2020.

The following table shows the changes in deferred tax liabilities during fiscal 2021 and 2020.

TAX LIABILITIES FOR DEFERRED TAXES (Eur/000)	
Opening balance	162
Increases	10
Decreases	(155)
Closing balance	**17**

A breakdown of deferred tax liabilities is provided below.

TAX LIABILITIES FOR DEFERRED TAXES (Eur/000)	31/12/21	31/12/20	Change	% Chg
Depreciation deducted off the books	-	153	(153)	-100%
Other temporary differences	17	9	8	89%
TOTAL	**17**	**162**	**(145)**	**-90%**

16. Other current and non-current financial liabilities

Other current and non-current financial liabilities as of 31/12/2021 amount to 358,000 euros, down 360,000 euros compared to 31/12/2020.

OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES (Eur/000)	31/12/21	31/12/20	Change	% Chg
Financial derivative instruments liabilities	-	32	(32)	-100%
Bonds issued - portion due after 12 months	-	358	(358)	-100%
Total non-current	-	390	(390)	-100%
Bonds issued - portion within 12 months	358	328	30	9%
Total current	358	328	30	9%
GENERAL TOTAL	**358**	**718**	**(360)**	**-50%**

The decrease in Other current and non-current financial liabilities is due to the extinction of all derivative contracts in 2021 and the reduction in the payable to bondholders, for which only the portion maturing within the year remains.

The remaining debt of 358,000 euros at the end of the year refers solely to the "Bond TM 3.80%" issued on July 15, 2018 by the Parent Company with a duration of 3 years, of which 1 is pre-amortization. The last tranche is scheduled to be repaid in July 2022.

It should be noted that all the amounts posted under this entry refer to items pertaining only to the Parent Company.

17. Current and non-current payables for IFRS 16

Current and non-current IFRS 16 payables as of 31/12/2021 amount to 3,544,000 euros, down 1,105,000 euros on 31/12/2020.

A breakdown of debt by type of contract is provided below.

CURRENT AND NON-CURRENT PAYABLES FOR IFRS 16 (Eur/000)	31/12/21	31/12/20	Change	% Chg
Payables for building leases	2,326	2,511	(185)	-7%
Payables for car rental and leasing contracts	368	648	(280)	-43%
Payables for machinery and equipment hire contracts	153	736	(583)	-79%
Total non-current	**2,847**	**3,895**	**(1,048)**	**-27%**
Payables for building leases	241	229	12	5%
Payables for car rental and leasing contracts	347	342	5	1%
Payables for machinery and equipment hire contracts	109	183	(74)	-40%
Total Current	**697**	**754**	**(57)**	**-8%**
GENERAL TOTAL	**3,544**	**4,649**	**(1,105)**	**-24%**

It should be noted that all the amounts posted under this entry refer to items pertaining only to the Parent Company.

Changes in payables per IFRS 16 are shown below.

PAYABLES FOR IFRS 16 - MOVEMENTS (Eur/000)	
Payables for building leases at 31/12/2020	2,740
Payables for rental agreements and leasing Cars at 31/12/2020	990
Payables for machinery and equipment hire contracts at 31/12/2020	919
Total as of 31/12/2020	**4,649**
New Contracts:	
Rental buildings	77
Rental and leasing Cars	81
Machinery and equipment rental	99
Total New Contracts	**258**
Reimbursements:	
Rental buildings	(250)
Rental and leasing Cars	(356)

Machinery and equipment rental	(756)
Total reimbursements	**(1,362)**
Rental buildings	2,567
Rental and leasing Cars	715
Machinery and equipment rental	262
Total as of 31/12/2021	**3,544**
of which:	
Payables for current IFRS 16 as of 31/12/2021	697
Payables for non-current IFRS 16 as of 31/12/2021	2,847
Payables for IFRS 16	**3,544**

The following table shows the time distribution of payables per IFRS 16.

CURRENT AND NON-CURRENT PAYABLES FOR IFRS 16 - DISTRIBUTION OVER TIME (Eur/000)	2022	2023	2024	2025 and beyond	TOTAL
Lease agreement	241	247	252	1,827	2,567
Car rental and leasing	347	228	135	5	715
Machinery and equipment rental	106	98	53	4	262
TOTAL	**694**	**573**	**440**	**1,837**	**3,544**

18. Current taxes payable

Current tax credits as of 31/12/2021 amount to 377,000 euros, up 21,000 euros compared to 31/12/2020.

CURRENT TAXES PAYABLES (Eur/000)	31/12/21	31/12/20	Change	% Chg
Foreign VAT payables	22	-	22	-
Income tax payable	1	6	(5)	-
Withholding taxes on employee income	326	322	4	1%
Other minor payables	28	28	-	-
TOTAL	**377**	**356**	**21**	**6%**

19. Provisions for risks and charges

Allowances for risks and charges as of 31/12/2021 total 422,000 euros, up 133,000 euros as of 31/12/2020. The following table shows a summary:

PROVISIONS FOR RISKS AND CHARGES (Eur/000)	Provision for guarantee risks	Other provisions	TOTAL
Opening balance	289	0	289
Provisions	100	33	133
Uses during the period	0	0	0
Rounding	0	0	0
Closing balance	**389**	**33**	**422**

The warranty provision relates to provisions for technical warranty work on the Group's products and is deemed adequate in relation to the warranty costs to be incurred.

Other provisions of 33,000 euros refer to tax proceedings underway at the reporting date.

Provisions represent management's best estimate of the liabilities to be accounted for.

It should be noted that all the amounts posted under this entry refer to items pertaining only to the Parent Company.

CONSOLIDATED INCOME STATEMENT

As noted above, the Group presents its income statement by "nature".

20. Total sales and change in inventories of finished productsand work in progress

Details of Sales and Changes in inventories are shown below:

SALES (Eur/000)	31/12/21	31/12/20	Change	% Chg
Revenue from sales	38,827	23,464	15,363	65.47%
TOTAL	**38,827**	**23,464**	**15,363**	**65.47%**

During the financial year the Group posted consolidated revenues from sales totaling 38,827,000 euros, compared to 23,464,000 euros in the previous period, representing an increase of 15,363 euros.

CHANGE IN INVENTORY (Eur/000)	31/12/21	31/12/20	Change	% Chg
Change in inventory of work in progress, semi-processed and finished products	(1,108)	1,314	(2,422)	-184%
Change in finished goods and W.I.P. inventories	(428)	(547)	119	-22%
Changes in inventories of work in progress and awaiting installation	(8,389)	6,504	(14,893)	-229%
TOTAL	**(9,925)**	**7,271**	**(17,196)**	**-237%**

During the year, the Group recorded changes in inventories of finished products and work in progress totaling (9,925) thousand euros compared to the 7,271,000 euros of the previous period, representing a decrease of 17,196,000 euros in absolute terms.

A breakdown of consolidated revenues by segment and by geographical area is provided in the segment information section of these notes and in the Management Report.

21. Other operating revenues

Details of Other operating revenues are provided below:

OTHER OPERATING REVENUES (Eur/000)	31/12/21	31/12/20	Change	% Chg
Increase of assets for internal work	2,400	1,685	715	42%
Public contributions	1,286	709	577	81%
Other revenues	25	23	2	9%
TOTAL	**3,711**	**2,417**	**1,294**	**54%**

During the year the Group posted other operating income totaling 3,711,000 euros, compared to 2,417,000 euros in the previous period, representing an increase of 1,294,000 euros.

In relation to public contributions, see the specific paragraph on transparency of public disbursements.

It should be noted that all the amounts posted under this entry refer to items pertaining only to the Parent Company.

22. Product cost (raw materials and external processing)

Product Cost includes the cost of producing or purchasing the products and goods sold. Accordingly, this item includes the cost of raw materials and external processing that participated directly or auxiliarily in the generation of revenues from the sale of products or services. It should be noted that this item includes write-downs of inventories, while this item does not include provisions made to cover warranty costs for products sold, transport costs incurred for deliveries to customers, and sales commissions paid to distributors.

Details of product cost (raw materials and external processing) are provided below:

PRODUCT COST (Eur/000)	31/12/21	31/12/20	Change	% Chg
Change in inventories of raw materials	(199)	(139)	(60)	43%
Purchase of raw materials	8,110	9,284	(1,174)	-13%
Purchase of semi-finished products and third party processing	3,297	3,018	279	9%
Cost of external personnel	292	642	(350)	-55%
Packaging and various	87	18	69	383%
TOTAL	**11,587**	**12,823**	**(1,236)**	**-10%**

The cost of products as of 31/12//2021 amounts to 11,587,000 euros, down 1,236,000 euros on 31/12/2020; the main components include the purchase of raw materials (8,110,000 euros) and semi-finished goods and work carried out by third parties (3,297,000 euros).

23. Personnel costs

A breakdown of Personnel costs is provided below:

PERSONNEL COSTS (Eur/000)	31/12/21	31/12/20	Change	% Chg
Remuneration of directors	501	439	62	14%
Accessory charges on directors' fees	58	75	(17)	-23%
Wages and salaries	8,647	8,268	379	5%
Social security charges	2,666	2,494	172	7%
Severance pay and pension funds	549	505	44	9%
Other personnel costs	250	141	109	77%
TOTAL	**12,671**	**11,922**	**749**	**6%**

As of 31/12/2021, personnel costs totaled 12,671,000 euros, up 749,000 euros from 31/12/2020. The increase is primarily due to the hiring of new resources during the year.

24. Other operating costs

A breakdown of Other Operating Costs is provided below:

OTHER OPERATING COSTS (Eur/000)	31/12/21	31/12/20	Change	% Chg
Purchases of materials not related to production	243	221	22	10%
Transport and storage costs	295	409	(114)	-28%
Assistance and maintenance	124	124	-	0%
Utilities	205	154	51	33%
Insurance	220	212	8	4%
Business consulting	232	554	(322)	-58%
Legal and administrative consulting	726	297	429	144%
Technical Advice Services	274	60	214	357%
Corporate body remuneration	119	52	67	129%
Fairs, advertising and entertainment expenses	386	115	271	236%
Cleaning and disinfection expenses	105	88	17	19%
Travel and personnel miscellaneous expenses	702	502	200	40%
Financial services fees	84	126	(42)	-33%
Other costs for services	46	234	(188)	-80%
Short-term rentals and leases	46	137	(91)	-66%
Software license usage fees	58	66	(8)	-12%
Provisions	133	289	(156)	-54%
Donations	19	77	(58)	-75%
Miscellaneous taxes and duties	37	33	4	12%
Other costs	65	85	(20)	-24%
TOTAL	**4,119**	**3,835**	**284**	**7%**

Other operating costs incurred by the Group during the financial year ended on 31/12/2021 totaled 4,119,000 euros, up 284,000 euros from 31/12//2020.

25. Amortization, depreciation & write-downs

A breakdown of the item "Amortization, depreciation and write-downs" is provided below:

AMORTISATION, DEPRECIATION AND WRITE-DOWNS (Eur/000)	31/12/21	31/12/20	Change	% Chg
Amortization of intangible assets	793	813	(20)	-2%
Depreciation of tangible assets	1,761	1,879	(118)	-6%
Write-downs of tangible and intangible assets	32	-	32	0%
Write-down of receivables	85	59	26	44%
TOTAL	**2,671**	**2,751**	**(80)**	**-3%**

26. Non-recurring income and charges

A breakdown of the item Non-recurring income and expense is detailed below:

NON-RECURRING INCOME AND CHARGES (Eur/000)	31/12/21	31/12/20	Change	% Chg
Legal expenses	250	-	(250)	0%
TOTAL	**250**	**-**	**(250)**	**0%**

27. Financial income and charges

Financial income and charges in 2021 resulted overall in a negative balance of 749,000 euros.

This item is detailed in the table below :

FINANCIAL INCOME AND CHARGES (Eur/000)	31/12/21	31/12/20	Change	% Chg
Financial income	1	2	(1)	-50%
Interest expense on loans and derivatives	(392)	(255)	(137)	54%
Interest expense on bonds	(22)	(68)	46	-68%
Other bank interest expenses	(227)	(319)	92	-29%
Interest expense IFRS 16	(85)	(99)	14	-14%
Interest expense IAS 19	(17)	(21)	4	-19%
Other financial charges	(30)	(58)	28	-48%
Net financial expense	(772)	(818)	46	-6%
Net profit (loss) of foreign currency transactions	23	4	19	475%
Total financial management	**(749)**	**(814)**	**65**	**-8%**

28: Income taxes

Income taxes for 2021 show a net balance of 340,000 euros, primarily due to the balance of current and deferred taxation.

INCOME TAXES (Eur/000)	31/12/21	31/12/20	Change	% Chg
IRES - tax credit pursuant to art. 19 OF LAW DECREE 73/21	143:	-	143:	-
IRES	-	-	-	0%
IRAP	(15)	1	(16)	-1600%
Prepaid taxes	210	107	103	96%
Deferred taxes	(6)	(147)	141	-96%
Taxes from previous years	15	(5)	20	0%
Substitute taxes	(7)	-	(7)	0%
Payables for corporate income tax	-	-	-	0%
TOTAL	**340**	**(44)**	**384**	**-873%**

Disclosure on transparency of public disbursements

Pursuant to article 1, paragraphs 125-129 of Law no. 124/2017 subsequently supplemented by the "Security" decree-law (no. 113/2018) and the "Simplification" decree-law (no. 135/2018), the following information is set out below regarding grants, contributions, paid assignments and in any case economic benefits of any kind provided to the Group in the 2021 financial year by public administrations and a series of entities assimilated to these with which they have economic relations.

The entities identified as the source of disbursements to be disclosed are:

- the public administrations and the entities referred to in article 2-bis of Legislative Decree no. 33 of 14 March 2013;
- companies controlled, in law or in fact, directly or indirectly, by public administrations, including companies with shares listed on regulated markets and their subsidiaries;

- publicly-owned companies, including those issuing shares listed on regulated markets and their subsidiaries.

The following table provides information on subsidies, grants, paid assignments and economic benefits of any kind pertaining to the financial year 2021, the beneficiary of which is the Parent Company itself for all amounts.

PROVIDER	DESCRIPTION	AMOUNT RECEIVED (Eur/000)	AMOUNT OF COMPENSATION (Eur/000)
Ministry of Economic Development	Public contributions on quotation expenses	500	500
Ministry of Economic Development	Public contributions on R&D costs	93	398
European Union - Universidad Politecnica Madrid	Public contributions on R&D costs	49	49
European Union	Public contributions on R&D costs	-	40
European Union - Piedmont Region	Public contributions on R&D costs	69	69
SACE - SIMEST S.p.A.	Integrated Promotion Fund	240	240
Ministry of Economic Development	Capitalization tax credit	-	142
Ministry of Economic Development	Tax credit for capital goods	2	28
Ministry of Economic Development	Sanitation tax credit	14	1
TOTAL		**967**	**1,468**

For aid related to guarantees received on loans, reference is made to the National Register of State Aid.

Guarantees granted, commitments and contingent liabilities

In addition to the probable liabilities for which provisions have been made in the provisions for risks, the Group has no contingent liabilities, as described in IAS 37, to report.

Related party disclosures

Transactions with related parties are carried out in compliance with the provisions of the laws in force, are part of the normal management of business activities and are settled at market prices. For the definition of related party, reference is made to the International Accounting Standards adopted by the European Union (IAS 24). In compliance with the provisions contained in this principle and in the procedure on related parties, not only the Directors of the Parent Company but also the managers with strategic responsibilities should be identified as related parties.

In the past year, the Group companies did not have any other key management personnel besides the Managing Directors.

The Group entered into the following transactions with related parties during fiscal 2021:

RELATED PARTIES - top management functions (Eur/000)	Remuneration	Receivables	Payables
BoD - Directors with delegated powers	660	0	72:
Board of Statutory Auditors	52	0	0

Financial risk management

The Group's financial instruments used to finance its operations include bank loans, bonds, leases, demand deposits and short-term bank deposits. Then there are other financial instruments, such as trade payables and receivables, arising from operating activities.

The OSAI Group is primarily exposed to the following categories of risk:

- Interest rate risk
- Credit risk
- Liquidity risk

The Group has adopted specific policies in order to properly manage the above-mentioned risks to protect its business and its ability to create value for its Shareholders and all Stakeholders.

The Group's objectives and policies for managing the risks listed above are detailed below.

Interest rate risk

The debt position towards the credit system and capital markets may be negotiated at a fixed rate or variable rate.

Changes in market interest rates generate the following categories of risk:

- an increase in market rates exposes to the risk of higher interest charges to be paid on the portion of variable-rate debt;
- a decrease in market rates exposes to the risk of excessive finance charges to be paid on the fixed-rate portion of debt.

In particular, the strategies adopted by the Group to deal with this risk envisage maintaining a balanced mix of fixed and floating rate loans.

Exposure to interest rates is structural in nature, as net financial debt generates net borrowing costs that are subject to interest rate volatility, in accordance with contractual terms established with financial counterparties. Consequently, the strategy identified takes the form of *continuous*monitoring of exposure to interest rate risk.

Credit risk

The Group only deals with known and reliable customers, furthermore, the balance of receivables is monitored during the year so that the amount of exposure to losses is not significant.

It should be noted that there are no significant credit risks within the Group. Financial assets are recorded in the financial statements net of the write-down calculated on the basis of the risk of default by the counterparty, determined considering the information available on the solvency of the customer and, if necessary, considering historical data.

Liquidity risk

Liquidity risk represents the risk that financial resources will not be sufficient to meet financial and business obligations within the established terms and deadlines.

The liquidity risk to which the Group is subject may arise from delays in the payment of its sales and, more generally, from difficulties in obtaining funding to support operating activities within the necessary time limits. Cash flows, funding requirements and liquidity of Group companies are monitored or managed centrally, with the aim of ensuring effective and efficient management of financial resources.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

RUSSIAN-UKRAINIAN WAR

On 02/24/2022, the Russian Federation launched a military offensive against Ukraine. The international community has reacted to this war initiative by initiating a wide-ranging program of economic and financial sanctions against legal and physical persons connected with the Russian government, sanctions which are currently negatively impacting the Russian national economy and international trade with third countries.

In this scenario, the duration and intensity of which cannot yet be predicted, the OSAI Group can confirm that it will not suffer any significant impact on its activities or business continuity. OSAI has no customer or supply relationships with entities based in the above-mentioned countries, nor have any commercial relationships been affected by the war conflict or international sanctions. Moreover, the raw materials and semi-finished products used in the Group's production processes do not originate from or are processed in countries exposed to the above conflict.

PANDEMIC TRENDS

The Company discloses that the effects of the release of the Omicron variant of Covid-19, in the month of January alone, resulted in the loss of estimated 2,000 hours of production work. The latter were caused in particular by the restrictions (quarantines and isolations) imposed by the Government and not by actual impacts on the health of workers, also thanks to the great adhesion of all personnel to the vaccination campaign.

Thanks to the possibility of working in from home, the Group's employees in isolation or quarantine were able to carry out, also in January, more than 1,300 hours of work, avoiding a further negative impact on activities.

In this scenario, whose outcome is not foreseeable as of today, the end of the state of emergency foreseen for 31/03/2022, allows us to glimpse the long-awaited return to normality and therefore the OSAI Group can confirm that as of today it will not suffer a significant impact on its activity or continuity of operations.

CHAPTER 8. FINANCIAL STATEMENTS OF OSAI AUTOMATION SYSTEM S.P.A. AS OF 31/12/2021

BALANCE SHEET - FINANCIAL SITUATION

(Eur/000)	Notes	December 31, 2021	December 31, 2020
ASSETS			
NON-CURRENT ASSETS			
- Property, plant and equipment	1	11,591	11,340
- Intangible Assets	2	3,384	2,874
- Shareholdings	3	933	908
- Non-current financial assets	4	48	33
- Other non-current receivables	5	516	288
- Deferred tax assets	6	823	538
TOTAL NON-CURRENT ASSETS		**17,295**	**15,981**
CURRENT ASSETS			
- Inventory	7	22,504	32,291
-Trade receivables	8	11,461	9,772
- Current taxes receivable	9	795	553
- Other short-term receivables	5	706	618
- Current financial assets	4	1,424	1,232
- Cash and cash equivalents	10	9,040	4,257
TOTAL CURRENT ASSETS		45,930	48,723
TOTAL ASSETS		**63,225**	**64,704**
LIABILITIES			
NET EQUITY			
-Share capital	11	1,599	1,400
-Share premium reserve	11	8,428	4,787
- Legal Reserve	11	213	200
- Reserve for unrealised foreign currency exchange gains	11	-	-
- Cash Flow Hedge reserve	11	-	(24)
- FTA reserve	11	(1,296)	(1,296)
- Other components of shareholders' equity	11	(159)	(48)
- Retained earnings/(losses) carried forward	11	6,703	6,099
- Profit (loss) for the period	11	878	616
TOTAL SHAREHOLDERS' EQUITY		**16,366**	**11,734**
NON-CURRENT LIABILITIES			
- Long-term borrowings	12	11,239	10,928
- Employee benefits	13	3,479	3,084
- Other non-current payables	**14**	-	-
- Deferred tax liabilities	15	17	162
- Other non-current financial liabilities	16	-	390

(Eur/000)	Notes	December 31, 2021	December 31, 2020
- Payables non current under IFRS16	17	2,847	3,895
TOTAL NON-CURRENT LIABILITIES		**17,582**	**18,459**
CURRENT LIABILITIES			
- Short-term borrowings	**12**	**6,572**	**5,074**
- Other current financial liabilities	16	358	328
- Trade payables	**14**	**6,343**	**4,996**
- Current taxes payable	18	376	350
- Other current payables	14	14,509	22,720
- Provisions for risks and charges	19	422	289
- Payables current under IFRS16	17	697	754
TOTAL CURRENT LIABILITIES		**29,277**	**34,511**
TOTAL LIABILITIES		**63,225**	**64,704**

INCOME STATEMENT

(Eur/000)	Notes	December 31, 2021	December 31, 2020
- Total sales	**20**	**38,735**	**23,161**
- Change in finished goods and W.I.P. stock	20	(9.925)	7,420
- Other operating revenues	21	3,711	2,417
VALUE OF PRODUCTION		**32,521**	**32,998**
- Product cost (raw materials and outsourcing)	22	(11,585)	(12,816)
Gross Margin		**20,936**	**20,182**
- Personnel expenses	23	12,449	11,785
- Other operating costs	24	(4,306)	(3,988)
EBITDA		**4,181**	**4,409**
- Writedowns, depreciation and amortisation	25	(2,666)	(2,744)
Operating income of ordinary operations		**1,515**	**1,665**
- Non-recurring expenses/(charges)	26	(250)	(200)
EBIT		**1,265**	**1,465**
- Financial Income/(Expenses)	27	(727)	(810)
EBT		**538**	**655**
- Income taxes	28	340	(39)
Net profit for the period		**878**	**616**

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD

(Eur/000)	Notes	December 31, 2021	December 31, 2020
Net profit for the period		**878**	**616**
Actuarial gains (losses) on defined benefit plans		**(182)**	**(76)**
Tax effect		51	18
Total other comprehensive income/(loss) not subsequently reclassified in the income statement, at net of the tax effect		**(131)**	**(58)**
Effective portion of fair value gains or losses on cash flow hedges		-	21
Tax effect		-	(5)
Financial instruments measured at fair value FVOCI		27	16
Tax effect		**(6)**	**(4)**
Total other comprehensive income that will be subsequently reclassified in the income statement at net of the tax effect		**21**	**28**
NET COMPREHENSIVE INCOME FOR THE PERIOD		**768**	**586**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

SCHEDULE OF CHANGES IN EQUITY (Eur/000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	RESERVE FOR FOREIGN EXCHANGE GAINS	RESERVE FOR ADJUSTMENTS TO FV DERIVATIVES	FTA RESERVE	OTHER RESERVES	PROFIT/(LOSS) CARRIED FORWARD	RESULT FOR THE PERIOD	NET EQUITY
Balance at 01/01/2020	**1,000**	**-**	**200**	**8**	**(40)**	**(1,683)**	**(2)**	**4,189**	**1,902**	**5,961**
Dividends paid out	-	-	-	-	-	-	-	-	-	-
Allocation of profit/(loss) for the previous period	-	-	-	-	-	-	-	1,902	(1,902)	-
Increase in share capital	400	4,787	-	-	-	-	-	-	-	5,187
Other transactions	-	-	-	(8)	-	-	-	8	-	-
Overall result for the period	-	-	-	-	16	-	(46)	-	616	586
Balance at 31/12/2020	**1,400**	**4,787**	**200**	**-**	**(24)**	**(1,683)**	(48)	6,099	616	11,734
Dividends paid out	-	-	-	-	-	-	-	-	-	-
Allocation of profit/(loss) for the previous period	-	-	13	-	-	-	-	603	(616)	-
Increase in share capital	199	3,641	-	-	-	-	-	-	-	3,840
Other transactions	-	-	-	-	24	-	-	-	-	24
Overall result for the period	-	-	-	-	-	-	(111)	1	878	768
Balance at 31/12/2021	**1,599**	**8,428**	**213**	**-**	**-**	**(1,683)**	**(159)**	**6,703**	**878**	**16,366**

CASH FLOW STATEMENT

(Eur/000)	December 31, 2021	December 31, 2020
Net result	**878**	**616**
Adjustments (sub-total)	**3,184**	**2,595**
Amortization, depreciation and write-downs of fixed assets	2,581	2,685
(gains) losses on disposal of fixed assets	(1)	-
Value adjustments to equity investments	-	200
Other adjustments for non-monetary items	-	(30)
Change in tax assets/liabilities for prepaid/deferred taxes	(430)	(203)
Changes in personnel-related provisions	263	328
Change in other provisions for risks and charges	222	284
Changes in inventories	9,724	(7,559)
Change in trade receivables	(1,715)	1,767
Changes in trade payables and advances	(6,799)	5,198
Net change in other non-financial assets/liabilities	(661)	(75)
Cash flow from operations (A)	**4,062**	**3,211**
Cash Flow from investment activities		
- Investments in:		
Tangible assets	(3,083)	(1,594)
Intangible fixed assets	(1,303)	(945)
Shareholdings	(25)	-
- Realisation of the sale of:		
Tangible assets	4	-
Intangible fixed assets	-	-
Shareholdings	-	-
Cash flow from investment management (B)	**(4,407)**	**(2,539)**
Cash Flow from financing activities		
Changes in receivables and other financial assets	(186)	(184)
Changes in payables and other financial liabilities	(335)	(2,830)
Changes in short-term payables to banks	340	(3,116)
Loan repayments	(4,141)	(891)
Financing	5,610	4,500
Flow from banking and financing activities	**1,288**	**(2,521)**
Capital increase and share premium	3,840	5,187
Dividends paid	-	(564)
Change in reserves and other shareholders' equity components	-	-
Flow on Capital	**3,840**	**4,623**
Financial management flow (C)	**5,128**	**2,102**
Total cash flow (D=A+B+C)	**4,783**	**2,774**
Cash and cash equivalents at beginning of period (E)	**4,257**	**1,483**
Cash and cash equivalents at end of period (F=D+E)	**9,040**	**4,257**

Additional disclosures for the Statement of Cash Flows (Eur/000)

Income taxes paid	21	321
Interest paid	858	711

CHAPTER 9. DESCRIPTION OF ACCOUNTING PRINCIPLES

Osai Automation System S.p.A. (hereinafter the "Company" or "Osai") is a joint-stock company under Italian law with registered office in Turin - Via Sondrio, 13/I, operating in the field of industrial process automation.

Osai Automation System S.p.A. as the parent company has also prepared the consolidated financial statements of the Osai Group as at December 31, 2021.

The duration of OSAI is set, according to the Bylaws until December 31, 2040.

The financial statements for the year ended December 31, 2021 are the first to be prepared in accordance with international accounting standards (IAS/IFRS) and have been audited by BDO Italia S.p.A. and will be presented to the shareholders' meeting.

For details regarding the transition from Italian GAAP (OIC) to IFRS, reference should be made to Chapter 11 "Report on the transition to IFRS".

Basis of preparation

The financial statements for the year 2021 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, as well as the measures issued in implementation of Art. 9 of Legislative Decree no. 38/2005:

The designation IFRS also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

The financial statements are prepared on the basis of the historical cost principle, with the exception of financial instruments, which are measured at *fair value*. The Company has applied accounting policies consistent with those of the prior year. For the impacts relating to the application of the new accounting standards, reference should be made to the document "Report on the transition to international accounting standards"

Going concern

The financial statements have been prepared on a going concern basis, as the Company has determined that there are no material uncertainties (as defined by IAS 1 §25) regarding its ability to continue as a going concern, supported by the following:

- good consistency of the order book;
- reasonable certainty that it will meet its projected obligations over the next 12 months;
- availability of sufficient cash and lines of credit to meet operating cash requirements.

Risks and uncertainties related to the business are described in the relevant section of the Management Report.

Financial Statement Schedules

In relation to the **financial statements**, the Company has elected to use the schedules described below:

a) with regard to the Statement of Financial Position, the format that presents assets and liabilities distinguishing between "current" (i.e. payable/receivable within 12 months) and "non-current" (i.e. payable/ receivable after more than 12 months) was adopted;

b) as regards the Income Statement, the format that provides for a breakdown of costs by type was adopted, highlighting the intermediate results relating to the Industrial Margin, Gross Operating Margin (EBITDA), operating income (EBIT) and income before tax (EBT). The table also includes income and expenses posted directly to shareholders' equity in accordance with IFRS, in the section entitled "Comprehensive Income Statement";

c) with regard to the Statement of Changes in Shareholders' Equity, the format that reconciles the opening and closing of each item of equity for both the current and the previous period was adopted;

d) with regard to the Cash Flow Statement, the so-called "indirect" method was applied, in which the net cash flow from operating activities is determined by adjusting the profit and loss for the effects:

- non-monetary items such as depreciation and amortization;
- changes in inventories, receivables and payables generated by operating activities;
- other items whose cash flows are generated by investing and financing activities.

Conversion of entries in foreign currency

The financial statements have been drawn up in euro, which is the functional and presentation currency. All values are rounded to the nearest thousand.

Transactions in currency other than the operating currency (euro) are recorded initially at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the euro are translated into euros using the exchange rate in force on the balance sheet date. All exchange rate differences are recorded in the income statement, unless accounting standards provide for their revaluation in equity.

ASSESSMENT CRITERIA

Tangible fixed assets

All categories of property, plant and equipment, including investment property, are recorded at historical cost less depreciation and "*impairment*", with the exception of land, which is recorded at historical cost less any*impairment*. Cost includes all expenses directly attributable to the purchase.

Costs incurred after the purchase of the asset are posted as an increase to their historical value or entered separately, only if it is probable that they will generate future economic benefits and their cost can be reliably measured.

Depreciation of property, plant and equipment is calculated using the straight-line method, so as to distribute the residual book value over the estimated economic-technical life as follows:

- Land: not depreciated
- Machinery: 6.5-15 years
- Photovoltaic system: 11-12 years
- Industrial and commercial equipment: 4 years
- Equipment consisting of lightweight constructions 10 years
- Furniture and furnishings: 8-9 years
- Electronic office machines: 5 years
- Vehicles: 4-5 years.

Extraordinary maintenance capitalized as an increase to an existing asset is depreciated over the residual useful life of that asset, or over the period until the next maintenance operation, whichever is shorter.

The residual value and useful life of property, plant and equipment are reviewed, and modified if necessary, at the balance sheet date.

Gains and losses on the sale of property, plant and equipment are recognized in the income statement and are determined by comparing their carrying amount with the selling price.

Finance and/or operating leases that grant a right to the exclusive use of an identified or identifiable asset, conferring the substantial right to obtain all economic benefits arising from its use for a specified period of time in exchange for consideration, fall within the scope of IFRS 16.

These contracts are recorded by entering a "right of use" under assets in the statement of financial position and a liability represented by the present value of the payments due for the lease. The "right of use" is amortized on a straight-line basis over the duration of the lease agreement, or the related economic-technical useful life, if shorter.

On the effective date of the lease, defined as the date on which the lessor makes the underlying asset available to the lessee, the carrying value of the "right of use" includes:

- the amount of the initial valuation of the lease liability;
- payments due on the lease made on or before the effective date;
- any initial direct costs;
- any estimated and discounted costs to be incurred at the time of abandonment of the facilities, recorded as an offsetting entry to a specific liability provision in the presence of obligations to dismantle, remove assets and restore sites.

The amount of the initial measurement of the lease liability includes the following components:

- fixed fees;
- variable payments that depend on an index or rate;
- the exercise price of the call option if there is a reasonable certainty of exercising it;
- any lease termination penalty payments, if the lease term takes into account the exercise of the lease termination option.

This accounting method includes the following categories of assets subject to lease agreements:

- real estate;
- vehicles;
- - office machinery.

The Company avails itself of the option granted by IFRS 16 - Leasing to recognize as an accrual-based cost, the rentals related to leasing contracts i) of short duration (i.e. less than 12 months), ii) concerning assets of low value (i.e. less than EUR 5,000, when new).

The lease liability is recognized on the effective date of the contract and is equal to the present value of the lease payments.

The present value of the lease payments is computed using either the lease's implicit interest rate or the lessee's marginal financing rate if the former is not readily available. The marginal borrowing rate is equivalent to the interest rate the lessee would have to pay for a loan with similar term and collateral needed to obtain an asset of similar value to the "right-of-use" asset in a similar economic environment.

After the start date, the lease liability is measured by applying the amortized cost criterion. Subsequently, it can be restated (i.e. the cash flows of the lease change as a result of the original contractual terms) or modified (i.e. changes in the subject or in the consideration not provided for in the original contractual terms) with adjustments to the "right of use".

INTANGIBLE FIXED ASSETS

With a defined useful life

Patents

Industrial patents and intellectual property rights are amortized on the basis of their presumed period of use, which may not in any case exceed the period fixed by the license agreements.

Software

Software licenses are capitalized at the cost incurred to obtain them and put them to use, and amortized over their estimated useful lives.

Costs associated with the development and maintenance of software programs are considered costs for the period and therefore charged to the income statement on an accrual basis.

Research and development

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

Development costs incurred in connection with a particular project are capitalized if the following conditions are met:

- costs can be reliably determined;
- the technical feasibility of the projects, the expected volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits;
- the Company intends and has sufficient resources to complete and use or sell the business.

Development costs charged to the profit and loss account during previous years are not capitalized retrospectively if the requirements are met at a later date.

Development costs with a defined useful life are amortized from the date the product is placed on the market, based on the period over which it is expected to produce economic benefits. Development costs that do not have these characteristics are charged to the income statement for the period in which they are incurred.

Dismantlement and restoration costs of assets used for contract work in progress are added to the cost of the related asset and depreciated in line with the depreciation pattern of the asset to which they refer when they are foreseeable and objectively determinable.

Other separately acquired intangible assets are capitalized at cost.

After initial entry, intangible fixed assets with a definite useful life are entered at cost, reduced by amortization and*impairment*; intangible fixed assets with an indefinite useful life are entered at cost, reduced only by*impairment*.

The estimated useful lives for the current and comparative years are as follows:

- Development costs 5/10 years;
- Software: 3 years;
- Patents: 5 years.

Intangible assets are subject to*impairment*testing on an annual basis and whenever there are reasons to do so. This analysis may be conducted at the level of the individual intangible asset or cash generating unit. The useful life of other intangible assets is reviewed annually: changes, where possible, are made with prospective applications.

Equity investments in subsidiary companies

In the financial statements of Osai A.S. S.p.A. equity investments in subsidiaries are posted at cost, including directly imputable auxiliary expenses, adjusted in case of impairment losses.

In the presence of objective evidence of impairment, the book value of the equity investment must be compared with its recoverable value, represented by the greater of fair value less costs to sell and value in use, determined by discounting the expected cash flows from the investee at the weighted average cost of capital, net of financial debt.

If there is evidence that these investments have suffered a loss in value, this is recorded in the income statement as a write-down. When the reasons for the write-downs cease to exist, the value of the equity investment is restored within the limits of the original cost, with the effect charged to the income statement.

If the parent company's share of the investee company's losses, if any, exceeds the book value of the equity investment, the value is reduced to zero; the share of further losses is recorded as a provision under liabilities only if the parent company is committed to fulfilling legal, contractual or implicit obligations towards the investee company, or in any case to covering its losses.

Investments in other companies

Investments in other companies in which the Company does not exercise control, significant influence or joint control are initially recorded at their purchase cost including transition costs. Their value is periodically subjected to an impairment procedure to compare the recoverable value with the related book value annually and whenever there is an indication of impairment.

Impairment of assets ("*Impairment*")

The Management periodically revises the accounting value of non-current assets held and used and of assets that are to be sold, when facts and circumstances require this revision. The analysis of the recoverability of the book value of non-current assets is generally carried out using estimates of the expected cash flows from the use or sale of the asset and appropriate discount rates to calculate the present value. When the carrying amount of a non-current asset is impaired, the Company recognizes an impairment charge equal to the excess between the carrying amount of the asset and its recoverable amount through use or sale, determined by reference to the cash flows inherent in the most recent business plans.

The estimates and assumptions used in this analysis reflect the state of the Company's management's knowledge of business developments and take into account forecasts believed to be reasonable about future market and industry developments. It cannot be ruled out that different developments in the markets and sectors in which the Company operates could lead to values that differ from the original estimates and, where necessary, to adjustments in the book value of certain non-current assets.

FINANCIAL INSTRUMENTS

Introduction

Financial instruments held by the Company are classified in the financial statement line items described below.

The item Equity Investments includes equity investments in subsidiaries and other companies.

Other non-current receivables include medium/long-term receivables and security deposits.

Other non-current financial assets include securities and assets held by the company other than equity investments.

Current financial assets include trade receivables, other receivables and other current financial assets, as well as cash and cash equivalents.

In particular, the item Cash and cash equivalents includes cash, immediately available bank deposits and overdrafts and other liquid investments due within three months.

Financial liabilities refer to financial payables, including payables for advances on orders, assignment of receivables, as well as other financial liabilities (which include the negative fair value of derivative financial instruments), trade payables and other payables.

IFRS 9 identifies the following categories of financial assets, whose classification is the result of an assessment that depends on both the following aspects: a) the business model adopted in the management of financial assets, and b) the characteristics of the contractual cash flows generated by them:

- Financial assets valued at amortized cost (AC): these assets fall under a business model of the type *hold to collect* and generate contractual cash flows that are in the nature of capital and interest.
- Financial assets measured at *fair value* with changes in *fair value* recognized in the statement of comprehensive income (FVOCI): these assets are part of a *hold to collect* and sell business model and generate contractual cash flows that are principal and interest.

- Financial assets measured at *fair value* with changes in *fair value* posted to the income statement (FVPL): this category is residual and includes all financial assets other than those measured at amortized cost and at *fair value* with changes in *fair value* posted to the comprehensive income statement, including minority interests, as well as financial assets that do not pass the SPPI test, including non-hedging derivatives and equity investments other than those measured using the equity method.

- Any non-controlling interests irrevocably elected upon initial recognition as FVOCI-type financial instruments without "*recycling*". In the context of this option, contrary to what is generally the case in the FVOCI category: 1) gains and losses recognized in OCI are not subsequently transferred to the income statement, although the cumulative gain or loss may be transferred within equity; 2) equity instruments categorized at FVOCI under this option are not subject to impairment accounting; 3) dividends are still recognized in the income statement unless they clearly represent a recovery of part of the cost of the investment.

Derivative financial instruments, including hedge accounting

The Company uses derivative financial instruments to hedge its exposure to interest rate risk.

Derivative instruments are always valued at *fair value* with a balancing entry in the income statement, unless they are effective hedging instruments for a given risk relating to underlying assets or liabilities or commitments undertaken by the Company.

At the inception of the designated hedging relationship, the Company documents the objectives in managing the risk and the strategy in effecting the hedge, as well as the economic relationship between the hedged item and the hedging instrument and whether changes in the cash holdings of the hedged item and the hedging instrument are expected to offset each other.

Financial liabilities

Financial liabilities include financial payables, as well as other financial liabilities, including derivative financial instruments and liabilities for assets recorded as part of finance leases.

Financial liabilities are classified into the following two categories in accordance with IFRS 9:

a) financial liabilities valued at amortized cost using the effective interest rate (AC) method;

b) financial liabilities measured at *fair value* with changes in *fair value* recognized in the income statement (FVPL), which in turn are classified in the two sub-categories *Held for Trading* and *FVPL at inception*.

Currently, all of the company's financial liabilities fall into the first category.

Loans

Loans are initially recorded in the financial statements at *fair value*, net of any ancillary charges. After initial recognition they are accounted for on the basis of the amortized cost criterion. Any difference between the amount collected, net of any ancillary charges, and the redemption value is posted to the income statement on an accruals basis in accordance with the effective interest rate method. Loans are recorded under current or non-current liabilities depending on the maturity of the related cash flows.

Inventories

Inventories are recorded at the lower of purchase cost, including all directly attributable ancillary costs and charges and indirect costs of internal production, and estimated realizable value based on market trends.

In particular:

Inventories represented by raw materials are valued using the continuous average cost method.

Inventories of semi-finished goods and work in progress, consisting primarily of machinery and equipment under construction and awaiting order at the end of the fiscal year, are valued at actual cost at the end of the fiscal year.

Contract work in progress (for which there is an order in progress at the close of the financial year), relating to machinery for sale, under construction at the close of the financial year, has been quantified by adopting the percentage of completion criterion. The valuation of these inventories is therefore carried out to an extent corresponding to the revenue accrued at the end of each financial year, determined with reference to the state of progress of the work, using the incurred cost method.

Finished goods and merchandise (machinery and equipment finished in inventory at the close of the fiscal year) are valued at cost of production.

These cost configurations do not include finance charges.

Any advances from customers are recorded under other current payables until the related revenue is recognized.

Provisions are calculated for materials, finished products, spare parts and other supplies considered obsolete or slow-moving, taking into account their expected future use and realizable value.

Trade receivables and other receivables

Trade receivables are initially recorded at *fair value* corresponding to the nominal value and subsequently reduced for any impairment losses.

The impairment of receivables is based on the expected loss model provided for by IFRS 9. In particular, the impairment of trade receivables is carried out by adopting a simplified approach, which involves estimating the expected loss throughout the life of the receivable.

The estimate is made by means of a precise assessment of collectability on the individual receivable.

Trade receivables whose due date falls outside normal commercial terms and which do not bear interest are discounted.

Receivables sold in factoring transactions are derecognized, if and only if, the risks and rewards relating to ownership have been substantially transferred to the buyer. Receivables sold with recourse and without recourse that do not satisfy this condition remain in the statement of financial position, even if they have been legally sold; in such cases, a liability for the same amount is recognized for advances received.

Cash and cash equivalents

Include cash, deposits with banks or other lending institutions available for current transactions, post office accounts, and other cash equivalents. Cash and cash equivalents are entered at fair value, which normally coincides with the nominal value.

Share capital and Reserves

Common stock is classified in equity.

Incidental charges directly related to equity issues or options are recognized in assets as a deduction from amounts received.

Employee benefits

Post-employment benefits may be offered to employees through defined contribution and/or defined benefit plans. Those benefits are generally based on individual compensation and years of service.

Defined contribution plans are post-employment benefit plans under which the Company and sometimes its employees make predetermined contributions to a separate entity (a fund) and the Company does not and will not have a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to meet its obligations to employees.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined benefit plans may be unfunded or fully or partially funded by contributions made by the enterprise, and sometimes its employees, to a company or fund, legally separate from the enterprise that provides them to employees.

The accrued amount is projected into the future to estimate the amount to be paid upon termination of employment and subsequently discounted to take into account the time elapsed before actual payment.

Adjustments to liabilities relating to employee benefits are determined on the basis of actuarial assumptions, based on demographic and financial assumptions, and are recorded on an accruals basis in line with the work needed to obtain the benefit. The amount of the rights accrued during the year by employees and the portion of interest on the amounts set aside at the beginning of the period and on the corresponding movements during the same period are recorded in the income statement under "Payroll costs", whilst the imputed financial expense deriving from actuarial calculations is recorded in the statement of comprehensive income under "Income/(Loss) from revaluation of defined benefit plans", the interest component is recorded in the income statement under "Financial income/(expense)".

The actuarial valuation is performed by an actuary external to the Company.

Following the changes made to the rules for the Severance Indemnity Fund ("T.F.R.") by Law no. 296 of 27 December 2006, and subsequent Decrees and Regulations ("Pension Reform") issued in early 2007:

- the Severance Indemnity accrued at 31 December 2006 is considered a defined benefit plan under IAS 19. Guaranteed employee benefits, in the form of severance pay, paid out on termination of employment, are recognized during the period in which entitlement accrues;
- the Employee Severance Indemnity accrued after 1 January 2007 is considered a defined contribution plan. Consequently, the contributions accrued during the period have been entirely recorded as a cost and, for the portion not yet paid to the funds, reported as a liability in the item "Other current liabilities".

Provisions for risks and charges

Allocations to provisions for risks and charges are made when:

- a legal or constructive obligation arises for the Company as a result of past events; an outlay of resources to satisfy the obligation is probable;
- the amount of the obligation can be reliably estimated.

Provisions are recorded by discounting to present value the best estimates made by the directors to identify the amount of costs the Company must incur, as of the balance sheet date, to settle the obligation.

Revenue recognition

Revenues are shown net of VAT, returns and discounts. Revenues are recognized according to the following rules.

The Company recognizes revenue in accordance with IFRS 15 - Revenue from Contracts with Customers, which introduced a comprehensive framework for revenue recognition and measurement aimed at faithfully representing the process of transferring goods and services to customers at an amount that reflects the consideration expected to be received in exchange for the goods and services provided.

This principle is applied using a model consisting of the following five basic steps:

1. **Identification of the contract with the customer**: This occurs when the parties approve the contract, which has commercial substance, and identify their respective rights and obligations. The contract must be legally binding, identify the right to receive goods and/or services, the consideration, and the payment terms;

2. **Identification of the contractual obligations** *(performance obligations)* contained therein, i.e., promises to transfer distinct goods and services.

3. **Determination of the** (*transaction price*): this is the total amount contracted with the counterparty over the duration of the contract.

4. **Price allocation to the various contractual obligations** in proportion to their respective stand alone *selling prices* determined based on list prices.

5. **Revenue recognition** upon fulfillment of contractual obligations.

Revenues relating to **sales of goods** are recognized when control of the same is transferred to the customer, i.e. when the significant risks and rewards of ownership are transferred.

When the revenue relates to contracts with customers that provide for the installation of the asset sold and the warranty on it for a certain period of time, the revenue is recorded at the time of installation since the latter is strongly linked to the asset and, consequently, falls under the same *service obligation*.

The Company identifies the extension of warranty over normal market conditions as a *performance obligation* to be accounted for separately.

Revenues for **services** are accounted for on the basis of the stage of completion in the year in which they are rendered.

Public grants

Public grants are recorded in the financial statements at their *fair value*, only if there is reasonable certainty that they will be granted and the Company has met all the requirements to obtain them. Revenues from public grants are recognized in profit or loss based on the costs for which they were granted.

Dividends

Dividends received by investee companies are recognized in the income statement in the period in which the right to receive them is established.

Financial income and charges

Interest income and expense are recognized in net income/(loss) for the year on an accrual basis using the effective interest method.

The "effective interest rate" corresponds to the rate that exactly discounts estimated future payments or receipts over the expected life of the financial asset: - to the gross book value of the financial asset; or - to the amortized cost of the financial liability. When calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not impaired) or the amortized cost of the liability. However, in the case of financial assets that have deteriorated after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset ceases to be impaired, interest income reverts to a gross basis.

Current and deferred taxes

Income tax expense for the year is determined on the basis of current legislation and the rates applicable at the balance sheet date. Income taxes are recognized in the income statement.

Deferred tax liabilities and deferred tax assets are calculated on all temporary differences between the fiscal value and the book value of assets and liabilities in the financial statements.

Deferred taxes are computed using tax rates and laws that have been enacted as of the balance sheet date, or substantially enacted, and that are expected to apply upon the reversal of the temporary differences giving rise to the recognition of deferred taxes.

Deferred tax assets on tax losses, as well as on temporary differences, are recorded in the financial statements only if it is probable that, at the time of the reversal of the temporary differences, there will be sufficient taxable income to offset them. Deferred tax assets are reviewed at the end of each financial year and, if necessary, reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future to allow all or part of this credit to be utilized.

The estimate of *fair value*

The *fair value* of financial instruments listed on an active market is determined on the basis of market prices at the reporting date. The reference market price for financial assets held is the current sale price (purchase price for financial liabilities).

The *fair value* of financial instruments that are not traded on an active market is determined using various valuation techniques and assumptions based on market conditions at the reporting date. For medium and long-term liabilities, the prices of similar listed financial instruments are compared; for the other categories of financial instruments, the cash flows are discounted.

The *fair value* of IRSs is determined by discounting the estimated cash flows deriving from them at the reporting date. For loans, it is assumed that the nominal value, net of any adjustments made to take into account their collectability, approximates the fair value. The fair value of financial liabilities for disclosure purposes is determined by discounting the cash flows from the contract at an interest rate that approximates the market rate at which the entity is financed.

Discretionary measurements and significant accounting estimates

The preparation of financial statements requires management to make a number of subjective assumptions and estimates based on past experience.

The application of these estimates and assumptions influences the amount of assets and liabilities recorded in the balance sheet, as well as the costs and income recorded in the income statement. Actual results may differ even significantly from the estimates made, given the natural uncertainty surrounding the assumptions and conditions on which the estimates are based.

In particular, taking into account the uncertainty that remains in some markets and in the economic and financial context in which the Company operates, it cannot exclude the possibility that, in the next financial year, results may differ from estimates and that, therefore, adjustments, even significant, may be required to the book value of the relevant items. The financial statement items primarily affected by these uncertainties are:

Research and development costs that meet the requirements for their capitalization are recorded under Intangible Assets. The average life of research and development projects is estimated to be 5 to 10 years, which represents the average period over which the products are estimated to generate cash flows for the Company.

Provisions for doubtful debts: provisions for doubtful debts are determined on the basis of an analysis of individual credit positions and in the light of past experience in terms of debt collection and relations with individual customers. In the event of a sudden deterioration in the financial conditions of an important client, this could result in the need to adjust the allowance for doubtful accounts, with consequent negative repercussions in terms of the economic result.

In order to determine **inventory write-downs**, the Company makes a series of estimates regarding the future requirements of the various types of products and materials held in inventory, based on its production plans and past experience of customer demand. If these estimates do not prove to be appropriate, this will result in an adjustment to the obsolescence reserves, with the associated impact on the income statement.

Changes in accounting principles

Accounting standards and interpretations adopted by the European Union with effect from 01/01/2021

In compliance with the requirements of IAS 8 (Accounting standards, changes in accounting estimates and errors), the IFRS in force as of 01/01/2021 are briefly illustrated below.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase2

In August 2020, the IASB issued amendments to IFRS9, IAS 39, IFRS 7, IFRS4, and IFRS 16. These changes supplement those made in 2019 ("IBOR - Phase 1") and focus on the effects on entities when an existing benchmark interest rate is replaced with a new benchmark rate as a result of the reform.

Amendments to IFRS 16 Leases: Covid-19 Related Rent Concessions beyond June 30, 2021

In May 2020, the IASB issued an amendment to IFRS 16 COVID 19 Related Rent Concessions. This change provided a practical expedient to account for the reduction in rent due to COVID 19. The 2020 practical expedient was available for rent reductions that affected only payments originally due by June 30, 2021. On March 31, 2021, the IASB issued COVID Amendment 19 Related Rent Concessions beyond June 30, 2021, which extended the period to qualify for the practical expedient from June 30, 2021 to June 30, 2022. This amendment is effective for fiscal years beginning on or after April 1, 2021.

Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9: Temporary extension from the application of IFRS 9

Currently, under IFRS 4 - Insurance Contracts, the effective date for the application of IFRS 9, for the temporary exemption of IFRS 9 is January 1, 2021. The Exposure Draft on Amendments to IFRS 17, issued in May 2019, proposed to extend the temporary exemption from IFRS 9 by one year. Subsequently, based on IASB restatements, the effective date of IFRS 9 was further extended to January 1, 2023 in order to align it with the effective date of IFRS 17 Insurance Contracts. In this regard, the Board issued the extension of the temporary exemption from the application of IFRS 9 (Amendments to IFRS 4) on June 25, 2020. EFRAG (3) confirmed its view that there was a need for a level playing field in the insurance industry in the application of the temporary exemption from IFRS 9, believing that the temporary exemption from the application of IFRS 9 should not be extended to banking activities that are significant at the reporting entity level. EFRAG therefore proposed to consider the issuance of a significant amount of insurance contracts under IFRS 4 as an indicator of non-primary banking activity. EFRAG also believes that the changes do not present cost issues of many entities that conduct insurance business and are not predominant insurers. EFRAG could not rule out the possibility that the amendments might create a competition problem, but was still unable to conclude whether this is economically relevant. Accordingly, EFRAG issued an endorsement notice regarding these amendments which were endorsed on January 13, 2021 and published in the OJE on January 14, 2021 with mandatory application for financial statements beginning January 1, 2021 of IFRS adopters in member countries.

The adoption of these amendments/interpretations had no impact on the financial statements as of 12/31/2021.

Accounting standards approved by the European Union but not yet compulsorily applicable

As of the date of this Annual Report, the following standards have been endorsed by the European Union but are not yet compulsorily applicable.

Improvements to IFRS (2018-2020 cycle): Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, and IAS 41 Agriculture and Illustrative Examples accompanying IFRS 16 Leases.

Amendments to IFRS 3, IAS 16, IAS 37

Regarding the Reference to the Conceptual Framework Amendments to IFRS 3, in May 2020, the IASB issued amendments to IFRS 3 that update a reference to the Conceptual Framework for Financial Reporting without changing its accounting requirements for business combinations. Early application of the amendment is permitted. The amendments to IAS 37 concerned the issue of costs to fulfill the contract in the context of onerous contracts. Specifically, in May 2020, the IASB issued amendments to IAS 37 par. 68A, which specify the costs that a firm must include in assessing whether a contract will be loss-making and is therefore recognized as an onerous contract. These changes should result in more contracts being accounted for as onerous contracts because they increase the costs that are included in the onerous contract valuation. The amendments to IAS 16 concerned the issue of Proceeds before Intended Use. Specifically, in May 2020, the IASB issued amendments to IAS 16 that prohibit a company from deducting from the cost of property, plant and equipment amounts received from the sale of items produced while the company is preparing the asset for its intended use. Conversely, a company will recognize such sales proceeds and any related costs on the income statement.

IFRS 17 Insurance Contracts

The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts under IAS/IFRS. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents these contracts. This information provides users of financial statements with a basis for evaluating the effect that insurance contracts have on an entity's financial position, financial performance, and cash flows. IFRS 17 was issued in May 2017 and applies to annual periods beginning on or after January 1, 2023.

The company will adopt these new standards, amendments and interpretations, based on the expected date of application.

Any impact on the financial statements deriving from the new standards/interpretations is still being assessed.

Accounting standards and interpretations issued by IASB and not yet approved by the European Union

As of the date of this Annual Report, the following standards have been issued by the IASB and have not yet been endorsed by the European Union.

Amendments to IAS 12 Presentation of Financial Statements

In May 2021, the IASB issued amendments to IAS 12 that clarify whether the exemption for initial recognition applies to certain transactions that result in the simultaneous recognition of both an asset and a liability (e.g., a lease within the scope of IFRS 16). The amendments introduce an additional criterion for the exemption from initial recognition provided by IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability that, at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information

In December 2021, the IASB amended IFRS 17 to add an option in the transition to address potential accounting mismatches between financial assets and liabilities related to insurance contracts in comparative information presented on initial application of IFRS 17 and IFRS 9, thereby improving the usefulness of comparative information for users of financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 that added the definition of accounting estimates in IAS 8. The amendments also clarified that the effects of a change in an input or valuation technique are changes in accounting estimates unless they result from the correction of prior period errors.

Amendments to IAS1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies

In January 2020, the IASB issued amendments to IAS 1 that clarify how an entity should classify liabilities as current or non-current. These changes are expected to have a significant impact on many entities with more liabilities classified as current, particularly those with loan-related covenants. The amendments, once approved, will become mandatory for financial statements beginning on or after January 1, 2023. In February 2021, the IASB issued amendments to IAS 1 that change the disclosure requirements for accounting standards from "significant accounting policies" to "significant accounting policy disclosures." The amendments provide guidance on when accounting policy disclosures are likely to be considered material. The amendments to IAS 1 are effective for fiscal years beginning on or after January 1, 2023, early application is permitted.

IFRS 14 Regulatory Deferral Accounts.

Approval process suspended pending new accounting standard on "rate-regulated activities".

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

Endorsement process suspended pending conclusion of the IASB project on the equity method.

The company will adopt these new standards, amendments and interpretations, based on the expected date of application.

Any impact on the financial statements deriving from the new standards/interpretations is still being assessed.

CHAPTER 10. NOTES TO THE FINANCIAL STATEMENTS AS AT 12/31/2021

The figures shown in the notes are expressed in thousands of euro.

BALANCE SHEET - FINANCIAL SITUATION

1. Property, plant and equipment

Property, plant and equipment as at 12/31/2021 totaled 11,591 thousand euros, up 251 thousand euros from 12/31/2020.

See the table below for more detail.

PROPERTY, PLANT AND EQUIPMENT (Euro 000's)	LAND AND BUILDINGS	PLANTS AND MACHINERY	IND. AND COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Net value as at 12/31/2019	3,773	5,776	656	1,616	-	11,821
Of which rights of use IFRS16	3,773	959	-	1,240	-	5,972
2020 Financial Year:						
Increases	23	-	76	454	809	1,362
Decreases/Disposals	-	-	-	-	-	-
Reclassifications	-	613	-	-	(584)	29
Amortization, depreciation & write-downs	(338)	(611)	(380)	(543)	-	(1,872)
Rounding	-	-	-	-	-	-
Net value as at 12/31/2020	3,458	5,778	352	1,527	225	11,340
2021 Financial Year:						
Increases	422	637	97	230	1,245	2,631
Decreases/Disposals	(20)	(674)	(2)	-	-	(696)
Reclassifications	-	104		-	-	104
Amortization, depreciation & write-downs	(342)	(593)	(253)	(600)	-	(1,788)
Rounding	-	-	-	-	-	-
Net value as at 12/31/2021	**3,518**	**5,252**	**194**	**1,157**	**1,470**	**11,591**
Of which rights of use IFRS16:						
Net value as at 12/31/2020	3,458	775	-	1,240	-	5,473
Increases	134	-	-	180	-	314
Decreases/Disposals	(20)	(674)	-	-	-	(694)
Reclassifications	-	-	-	-	-	-
Amortization, depreciation & write-downs	(342)	(101)	-	(480)	-	(923)
Rounding	-	-	-		-	-
Total rights of use at 31/12/2021	**3,230**	**-**	**-**	**940**	**-**	**4,170**

The item **Land and Buildings**, amounting to 3,518 thousand euros, includes:

- Land purchased during the year for a total value of 288 thousand Euro;
- Rights of use on leased instrumental buildings, deriving from the application of IFRS16 for 3,230 thousand euros.

Plant and Machinery, amounting to 5,252 thousand euros, decreased by a total of 526 thousand euros due to the combined effect of amortization and depreciation for the year totaling 593 thousand euros and the early redemption of three finance leases with the consequent elimination of the value of the *right of use* previously recorded, totaling 674 thousand euros.

Industrial and commercial equipment, amounting to 194 thousand euros, decreased by a total of 158 thousand euros.

Other assets, amounting to 1,157 thousand euros, decreased by a total of 370 thousand euros due to purchases and depreciation during the year. It should be noted that this item includes rights of use for electronic office equipment and vehicles on hire for 940 thousand euros.

Assets under construction increased by 1,245 thousand euros following the in-house construction of two new machines, one of which derives from the continuation of work begun during the previous year. The implementation of the assets is not yet complete as of December 31, 2021.

2. Intangible fixed assets

Intangible fixed assets as of 12/31/2021 total 3,384 thousand euros, up 510 thousand euros on 12/31/2020.

See the table below for more detail.

INTANGIBLE FIXED ASSETS (In Euro 000's)	SOFTWARE	DEVELOPMENT COSTS	PATENTS	ASSETS UNDER CONSTRUCTION	TOTAL
Net value as at 12/31/2019	112	1,947	16	667	2,742
2020 Financial Year:					
Increases	63	-	6	876	945
Decreases/Disposals	-	-	-	-	-
Reclassifications	-	457	-	(457)	-
Amortization, depreciation & write-downs	(123)	(682)	(8)	-	(813)
Rounding	-	-	-	-	-
Net value as at 12/31/2020	52	1,722	14	1,086	2,874
2021 Financial Year:					
Increases	146	-	3	1,154	1,303
Depreciation	(52)	(735)	(6)	-	(793)
Impairment and write-downs	-	-	-	-	-
Reclassifications	-	315	-	(315)	-
Rounding	-	-	-	-	-
Net value as at 12/31/2021	**146**	**1,302**	**11**	**1,925**	**3,384**

As reflected in the changes during the year, most of the increases in 2021, relate to assets under construction and development costs.

Capitalized **development costs** refer entirely to expenses incurred for the development of application technologies for automation equipment built and sold. Technological development should be considered essential and inherent to the company's activities. During 2021 a project previously recorded under assets in progress for 315 thousand euros was completed.

Intangible fixed assets in progress refer entirely to capitalized development costs for projects still in progress at the end of the year.

Development costs have been capitalized if the conditions provided for in IAS 38 are met. The technical feasibility and generation of probable future economic benefits have been verified for all capitalized new project development activities. Costs capitalized on development projects are monitored individually and are measured by the economic benefits expected to be derived from their operation. Costs capitalized on projects for which the technical feasibility is uncertain or no longer strategic are charged to the income statement. The rate used in the valuation of in-house development hours reflects the industrial hourly cost of dedicated staff.

The costs capitalized and posted under the item "development costs" are related to specific products, processes and/or well-defined, identifiable and measurable projects, the recoverability of which is in all cases guaranteed by adequate income prospects, analyzed in detail by the Directors.

Items not yet amortized refer to projects to be considered completed in terms of investments made but which, at the end of the financial year, have not yet generated their usefulness in profit terms.

Software increased by 146 thousand euros due to implementation of the management system.

Patent fees include the cost of registering patents. The increase for the year amounted to 3 thousand euros.

3. Shareholdings

Equity investments (in subsidiaries and other companies) as of 31/12/2021 total 933 thousand euros, up 25 thousand euros from 31/12/2020.

Equity investments in subsidiary companies

Equity investments in subsidiaries as at 12/31/2021 amount to 808 thousand euros, unchanged with respect to 12/31/2020.

INVESTMENTS IN SUBSIDIARIES (Euro 000's)	Osai A.S. Gmbh - Germany	Osai A.S. Dalian Co - China	Osai A.S. USA Ltd - USA
Net value as at 12/31/2019	550	222	235
Increases	-	-	-
Disposals	-	-	-
Write-downs	(200)	-	-
Net value as at 12/31/2020	350	222	235
Increases	-		
Disposals	-		
Write-downs	-	-	-
Net value as at 12/31/2021	**350**	**222**	**235**

The breakdown of the cost of equity investments, compared with the pro-rata share of shareholders' equity resulting from the financial statements of the companies prepared in accordance with IAS/IFRS, is as follows:

INVESTMENTS IN SUBSIDIARIES (Euro 000's)	Net value as at 12/31/2021	SE s at 12/31/2021	Share of ownership	SE pro-quota	Difference
Osai A.S. Gmbh - Germany	350	(86)	100%	(86)	(436)
Osai A.S. Dalian Co - China	222	247	100%	247	25
Osai A.S. USA Ltd - USA	235	225	100%	225	(10)

Subsidiary data refer to financial statements for the year ended 12/31/2021, including adjustments for transition to IFRS.

Equity in **Osai A.S. Gmbh** shows a book value higher than the corresponding share of shareholders' equity. The Company carried out an *impairment* test, from which no indicators of impairment emerged, and therefore management decided to maintain the carrying amount unchanged on the basis of the test carried out and the continuation of the corporate restructuring according to the five-year plan drawn up for the years 2022-2025. It should also be noted that the subsidiary's net income for 2021 amounted to 24 thousand euros.

The book value of the equity investment in the Chinese company **Osai Dalian Co.** is higher than the corresponding share of shareholders' equity, and the company closed its 2021 financial statements at break-even. It is believed that no indicators of impairment emerge in relation to this subsidiary.

The book value of the equity investment in the US company **Osai A.S. USA Ltd.** is slightly lower than the corresponding portion of shareholders' equity and the same closed the 2021 financial statements recording a positive net result of 7 thousand euros. It is believed that also in relation to this subsidiary there are no indicators of impairment.

Investments in other companies

Investments in other companies as of 12/31/2021 total 126 thousand euros, up 25 thousand euros from 12/31/2020.

OTHER INVESTMENTS (Euro 000's)	Value of equity investment at beginning of year	Increases	Write-downs	Net value as at 12/31/2021
ICONA S.r.l. - Italy	100	-	-	100
CIAC S.c.r.l. - Italy	-	25	-	25
Unionfidi	1	-	-	1
TOTAL	**101**	**25**	**-**	**126**

The change compared to the previous year relates to the subscription of the share capital increase in Ciac S.c.r.l. by 25 shares in the amount of 1,000 euros each.

The equity investment in ICONA S.r.l. (ICO NUOVO AMPLIAMENTO S.r.l.) refers to a 5.56% stake in the company's share capital purchased during the 2018 financial year at a cost of €100,000 (equal to the carrying amount). The activity of the investee company is aimed at achieving the social purpose of redevelopment of the Canavese industrial area.

At the time of writing, the latest approved and available financial statements are those closed at 12/31/2020, which show shareholders' equity of 1,744 thousand euros. Provisional data for the investee as of September 30, 2021 was also acquired.

The portion of shareholders' equity of the investee company pertaining to Osai A.S. S.p.A. does not show substantial differences compared to the value posted to the financial statements. Therefore, its *fair value* is deemed to be substantially equal to cost.

4. Current and non-current financial assets

Non-current and current financial assets as at 12/31/2021 amount to 1,472 thousand euros, up 207 thousand euros on 12/31/2020.

The following table shows changes in non-current and current financial assets:

NON-CURRENT AND CURRENT FINANCIAL ASSETS (Euro 000's)	12/31/21	12/31/20	Change	% Chg
Shares in listed companies	48	33	15	45%
Total Non-Current	**48**	**33**	**15**	**45%**
Equity and bond investment funds	1,424	1,232	192	16%
Total Current	**1,424**	**1,232**	**192**	**16%**
GENERAL TOTAL	**1,472**	**1,265**	**207**	**16%**

Financial assets, recorded at *fair value*, refer to:

- for the non-current portion 18,000 Banco BPM shares whose *fair value* at December 31, 2021 is 48 thousand euros;
- for the current portion to equity and bond investment funds referring to accumulation plans in EU funds set aside to meet any cash requirements for the payment of employee benefits.

The difference between the *fair value* at the end of the year and the cost incurred in the acquisition of financial assets is posted to a specific shareholders' equity reserve called the FVOCI*(Fair Value to OCI*) reserve, net of the related tax effect, and the related gains/losses are reported in the Comprehensive Income Statement.

5. Other non-current and current receivables

Other non-current and current receivables as at 12/31/2021 totaled 1,222 thousand euros, up 316 thousand euros from 12/31/2020.

The following table shows the changes in Other non-current and current receivables.

OTHER NON-CURRENT AND CURRENT RECEIVABLES (In Euro 000's)	12/31/21	12/31/20	Change	% Chg
Security deposits	134	92	42	46%
Tax credits over 12 months	382	193	189	98%
Various	-	3	(3)	-100%
Total Non-Current	**516**	**288**	**228**	**44%**
Advances to suppliers	213	70	143	204%
Contributions to be received	-	142	(142)	-100%
Loans to employees	218	189	29	15%
Prepayments	273	217	56	26%
Various	2	-	2	0%
Total Current	**706**	**618**	**88**	**145%**
GENERAL TOTAL	**1,222**	**906**	**316**	**189%**

6. Deferred tax assets

Deferred tax assets as at December 31, 2021 amount to 823 thousand euros, up 285 thousand euros from 12/31/2020.

The following table shows the changes in Deferred Tax Assets during fiscal year 2021.

DEFERRED TAX ASSETS (In Euro 000's)	
Opening balance	538
Increases	428
Decreases	-143
Closing balance	**823**

The composition of deferred tax assets is shown below.

DEFERRED TAX ASSETS (In Euro 000's)	12/31/21	12/31/20	Change	% Chg
Provisions to reserves not deducted	140	88	52	59%
FTA-IFRS post conversion	232	269	(37)	-14%
Employee benefits (IAS 19)	170	138	32	23%
Unused tax losses	220	-	220	100%
Other unused tax benefits	53	-	53	100%
Other temporary differences	8	43	(35)	-81%
TOTAL	**823**	**538**	**285**	**53%**

Deferred tax assets have been recorded in the financial statements only when the conditions for their recovery exist. The assessment of the recoverability of deferred tax assets takes into account the expected profitability in future years. Deferred tax assets on tax loss carryforwards have been recognized to the extent that it is probable that future taxable income will be available against which they can be recovered. In the light of the above, no elements have arisen that would alter the previous assessments regarding the recoverability of deferred tax assets.

7. Inventories

Inventories as at 12/31/2021 total 22,504 thousand euros, net of allowance for doubtful accounts, down 9,787 thousand euros compared with 12/31/2020.

The following table shows the breakdown of inventories at 12/31/2021 and 12/31/2020.

INVENTORY (Euro 000's)	12/31/21	12/31/20	Change	% Chg
Raw materials warehouse	2,660	2,459	201	8%
Provision for obsolescence of raw materials	(63)	-	(63)	0%
Work in progress and semi-finished products	4,547	5,655	(1,108)	-20%
Work in progress to order	9,245	5,361	3,884	72%
Warehouse for finished products and goods	-	428	(428)	-100%
WIP pending installation	6,115	18,388	(12,273)	-67%
TOTAL	**22,504**	**32,291**	**(9,787)**	**-67%**

The valuation allowance during 2021 changed as follows:

INVENTORY WRITE-DOWN (Euro 000's)	
Opening balance	-
Provision for the period	63
Uses during the year	-
Exchange rate effect	-
Closing balance	**63**

8. Trade receivables

Trade receivables as of 12/31/2021 total 11,461 thousand euros, up 1,689 thousand euros compared to 12/31/2020.

TRADE RECEIVABLES (In Euro 000's)	12/31/21	12/31/20	Change	% Chg
Trade receivables	10,793	9,090	1,703	19%
Receivables from subsidiaries	753	741	12	2%
Gross trade receivables	**11,546**	**9,831**	**1,715**	**17%**
Doubtful debt provision	(85)	(59)	(26)	44%
TOTAL	**11,461**	**9,772**	**1,689**	**17%**

Receivables denominated in currencies other than the reporting currency are translated into euros using the exchange rate in force at the balance sheet date. All exchange rate differences have been recorded in the income statement.

The valuation allowance during 2021 changed as follows:

DOUBTFUL DEBT PROVISION (Euro 000's)	
Opening balance	59
Utilizations	(59)
Provisions	85
Exchange rate effect	-
Closing balance	**85**

In application of IFRS 9, the Company evaluates trade receivables on the basis of the individual credit position.

The high average credit standing of customers, the absence of a significant concentration of credit, reduce credit risk and make the allowance for doubtful accounts adequate.

The breakdown of trade receivables by maturity is shown below:

RECEIVABLES BY MATURITY (Euro 000's)	12/31/21
To expire	5,330
Expired 0-180 days	4,525
Expired 180-365 days	649
Expired after one year	1,041
TOTAL	**11,546**

The presence in the balance sheet of overdue trade receivables for significant amounts is linked to orders for machinery delivered in 2020 and not installed in the same year due to the difficulties in moving due to the pandemic event.

It should be noted that receivables past due over 180 days were almost entirely collected in the first few months of 2022 and the remainder is expected to be collected by March and April of this year.

9. Current taxes receivable

Current tax credits as of 12/31/2021 amount to 795 thousand euros, up 242 thousand euros on 12/31/2020. Details are provided in the table below:

RECEIVABLES FOR CURRENT TAXES (Euro 000's)	12/31/21	12/31/20	Change	% Chg
VAT receivables	238	147	91	62%
Receivables and advances relating to direct taxes	175	296	(121)	-41%
Tax credits usable within 12 months	382	110	272	247%
Other receivables for minor tax assets	-	-	-	0%
TOTAL	**795**	**553**	**242**	**44%**

10. Cash and cash equivalents

Cash and cash equivalents as of 12/31/2021 amount to 9,040 thousand euros, up 4,783 thousand euros from 12/31/2020. Details are provided in the table below:

CASH AND CASH EQUIVALENTS (Euro 000's)	12/31/21	12/31/20	Change	% Chg
Bank accounts	9,002	4,217	4,785	113%
Cash and cash equivalents	38	40	(2)	-5%
TOTAL	**9,040**	**4,257**	**4,783**	**112%**

SHAREHOLDERS' EQUITY AND LIABILITIES

11. Shareholders' equity

For changes in Shareholders' Equity, reference should be made to the "Statement of Changes in Shareholders' Equity".

Share Capital

As at December 31, 2021, the share capital amounts to EUR 1,598,640.90, divided into 15,986,409 ordinary shares with a par value of EUR 0.10 each.
During the year, the share capital increased by a total of 198,640.90 euros in correspondence with the exercise windows for warrants issued at the time of listing on October 31, 2020:
- Short run warrant / April 2021: 99,120.00 euro;
- Warrant OSAI A.S. S.p.A. 2021-2025 / June 2021: 91,702.40 euro;
- Warrant OSAI A.S. S.p.A. 2021-2025 / October 2021: 7,818.50 euro.

Following is a reconciliation between the number of shares outstanding at December 31, 2020 and at December 31, 2021

	At December 31, 2020	Share capital increases	(Purchases)/Sales of treasury shares	At December 31, 2021
Ordinary shares issued	14,000,000	1,986,409	0	15,986,409
Minus: Treasury shares	0	0	0	0
Outstanding ordinary shares	**14,000,000**	**1,986,409**	**0**	**15,986,409**

Share premium reserve

The share premium reserve, amounting to 8,428 thousand euros, rose by 3,641 thousand euros compared with the previous year following the capital increases described in the previous section.
This reserve moves for the first time during 2020 as a result of the IPO transaction.
The values of the share premium are posted net of listing and capital increase costs as provided for by IAS 32 (paragraphs 35-35A and 37).

Legal Reserve

This item amounts to 213 thousand euros and increased by 13 thousand euros due to the allocation of the prior year's net income.

Other items of Shareholders' Equity

Other shareholders' equity items are summarized as follows:
- **Reserve for hedging transactions (Cash Flow Hedge)**: this item will zero in 2021 due to the effect of the disposal of derivative contracts previously entered into by the Company;
- **FTA reserve**: this item as of December 31, 2021 is negative by 1,296 thousand euros and has not changed since December 31, 2020. This item was posted on the first-time adoption of international accounting standards as at 01/01/2020;

- **Reserve for actuarial gains and losses**, employee severance indemnities: this item as of December 31, 2021 is negative by 189 thousand euros and relates, in compliance with IAS 19 *revised*, to the effect of actuarial gains/losses on employee severance indemnities, net of the tax effect;

- **FVOCI reserve**: this item as at December 31, 2021 amounts to 30 thousand euros and has been set aside against the recording of valuation differences of securities at *Fair Value*.

Retained earnings/(losses) carried forward

The item as at 12/31/2021 is equal to 6,703 thousand and includes the results of previous financial years not distributed and not allocated to reserves of a different nature. It also includes the amounts related to the differences in accounting treatment that emerged on the date of transition to IAS/IFRS, which can be traced to the adjustments as at 12/31/2020 made to the balances on the financial statements prepared in compliance with national accounting standards.

This item also includes the Reserve as per art. 60 of Legislative Decree 104/2020 formed from earnings and accrued as a result of the Company's use of the amortization suspension option in the 2020 financial statements prior to IAS/IFRS transition. With the changeover to international accounting standards and the impossibility of using the option expressed by the rule on the basis of the new accounting rules applied, this reserve can be reallocated to unrestricted profit reserves.

Dividends

The Company did not pay any dividends during 2021.

Result for the period

This item amounts to 878 thousand euros.

Overall result for the period

In addition to net income for the period, comprehensive income of 768 thousand euros includes the following additional items:

- Actuarial losses on employee benefits, net of the related tax effect, totaling 131 thousand euros;
- *Fair value* differences on financial assets, net of the related tax effect of 21 thousand euros.

TABLE IN ACCORDANCE WITH ART. 2427, NO. 7-BIS

The following table shows shareholders' equity items broken down according to origin, possibility of utilization, distributability, availability and utilization in the previous three years.

DESCRIPTION (Euro 000's)	AMOUNT	CASH EQUIVALENTS	AMOUNT AVAILABLE	SUMMARY OF USES MADE IN THE THREE-YEAR PERIOD 2019-2021	
				COVERAGE OF LOSSES	DIVIDENDS PAID OUT
Capital	1,599	B	-	-	-
Equity-related reserves:					
Share premium reserve (1)	8,428	A, B, C	8,321	-	-
Profit reserves:					
Legal reserve	213	B	-	-	-
FTA reserve	(1,296)	-	-	-	-
Actuarial (Gains) losses for termination benefits	(189)	-	-	-	-
FVTOCI Reserve	30	-	-	-	-
Previous years' profits (2)	6,703	A, B, C	1,991	-	800
TOTAL	**15,488**		**10,312**	**-**	**800**

"Key: A) for share capital increase, B) to cover losses, C) for distribution to shareholders"

(1) available portion net of the residual amount of the legal reserve which does not reach one fifth of the capital pursuant to art. 2431 of the Italian Civil Code. (107 thousand euros)

(2) available share net of negative reserves (1,485 thousand euros) and the unamortized portion of capitalized development costs (3,227 thousand euros)

12. Total current and non-current loans

These items only include amounts due to banks for the granting of short-term lines of credit and for loans.

Non-Current Loans total 11,239 thousand euros, up 311 thousand euros from December 31, 2020.

Current loans total 6,572 thousand euros, up 1,498 thousand euros compared with December 31, 2020.

The following is a breakdown of the Company's bank exposure outstanding as of 12/31/2021:

CURRENT AND NON-CURRENT FINANCING (in Euro 000's)	12/31/21	12/31/20	Change	% Chg
Loans and other financing - non-current portion	11,239	10,928	311	3%
Total long-term borrowings	**11,239**	**10,928**	**311**	**3%**
Short-term payables to credit institutions	3,106	2,765	341	12%
Loans and other financing - current portion	3,466	2,309	1,157	50%
Total current borrowings	**6,572**	**5,074**	**1,498**	**30%**
TOTAL	**17,811**	**16,002**	**1,809**	**11%**

Compared to the financial statements for the year ended December 31, 2020, the Company's borrowings have increased by a total of 1,809 thousand euros.

During 2021 the Company took out four new loans totaling 5,610 thousand euros.

Movements in the Company's bank debt and other borrowings are shown below.

BORROWINGS FROM BANKS AND OTHER FINANCING - CHANGE (in thousands of euros)	
Payables to banks and other current loans as at 12/31/2020	5,074
Payables to banks and other non-current loans as at 12/31/2020	10,928
Payables to banks and other loans at 12/31/2020	**16,002**
Financing	5,610
Loan repayments	(4,141)
Change in credit line payables	340
Payables to banks and other loans at 12/31/2021	**17,811**
of which:	
Payables to banks and other current loans as at 12/31/2021	6,572
Payables to banks and other non-current loans as at 12/31/2021	11,239
Payables to banks and other loans at 12/31/2021	**17,811**

The maturity date and the current and non-current portions of each loan, valued at amortized cost, are shown below.

Liability detail	Expiry date	Current portion	Non-current	Total	Effective rate
Loans					
BANCA D'ALBA - SACE Guarantee	12/31/23	157	159	316	Euribor 3m + spread 2.20%
BANCO BPM - MCC Guarantee	09/30/23	313	236	549	Euribor 3m + spread 1.8%
INTESA SAN PAOLO	05/24/24	201	315	516	Euribor 3m + spread 3.25%
BANCO BPM	01/31/25	520	1,113	1,633	Euribor 3m +spread 1.35%
CASSA DI RISPARMIO DI BRA	07/12/23	161	164	325	Euribor 3m +spread 1.5%
INTESA SAN PAOLO - MCC Guarantee	09/30/25	236	682	918	Euribor 3m +spread 3.05%
BANCA D'ALBA - SACE Guarantee	09/30/26	197	745	942	Euribor 3m +spread 2.4%
BANCO BPM - MCC Guarantee	06/10/24	326	504	830	Euribor 3m + spread 1.75%
BANCA D'ALBA - MCC Guarantee	07/23/25	109	290	399	Fixed rate 1.5%
INTESA SAN PAOLO - MCC Guarantee	08/31/26	243	921	1,164	Euribor 1m + spread 1.8%
BPER - MCC Guarantee	07/10/26	291	1,207	1,498	Fixed rate 1.4%
ASCOMFIDI - MCC Guarantee	04/05/25	29	74	103	Fixed rate 3.5%
INTESA SAN PAOLO- SACE Guarantee	12/31/27	-	352	352	Fixed rate 0.55%
BANCO BPM- SACE Guarantee	03/31/27	658	3,809	4,467	Euribor 3m + spread 1.35%
INTESA SAN PAOLO - MCC Guarantee	08/30/28	25	668	693	Euribor 3m + spread 2.17%
Total loans		**3,466**	**11,239**	**14,705**	

The following table shows the distribution of bank loan payments over time.

CURRENT AND NON-CURRENT FINANCING - TEMPORAL DISTRIBUTION (Euro 000's)	2022	2023	2024	2025 and beyond	TOTAL
CURRENT BANK PAYABLES	3,106	-	-	-	3,106
CURRENT ACCOUNT OF NON-CURRENT BORROWINGS	3,466				3,466
NON-CURRENT FINANCIAL DEBT	-	3,751	3,054	4,434	11,239
TOTAL	6,572	3,751	3,054	4,434	17,811

13. Employee benefits

The item "Employee benefits" refers exclusively to the Employee Severance Indemnity paid by the Italian companies to their employees. The balance of this item as of 12/31/2021 is 3,479 thousand euros, up 395 thousand euros from 12/31/2020.

The TFR represents the indemnity provided for by Italian law that is accrued by employees during their working life and liquidated when the employee leaves. This allowance is considered a defined benefit fund, subject to actuarial valuation for the portion related to anticipated future benefits and related to benefits already paid.

The breakdown of employee benefit liabilities at 12/31/2021 is shown below.

EMPLOYEE BENEFITS (Euro 000's)	
Opening balance	3,084
Employee severance indemnity paid during the period	(248)
Service cost	550
Interest cost	17
Actuarial (Gains) losses	182
Units transferred to pension funds	(88)
Substitute tax	(18)
Closing balance	**3,479**

The Service Cost represents the annual cost, net of the financial component, and as at 12/31/2021 amounts to 550 thousand euros.

The principal actuarial assumptions used to estimate the final employee benefit liability are as follows.

ACTUARIAL ASSUMPTIONS	12/31/21	12/31/20
Annual technical discount rate	0.98%	0.34%
Annual inflation rate	1.75%	0.80%
Annual rate of increase in severance pay	2.81%	2.10%
Annual rate of salary increase	0.50%	0.50%

The demographic technical bases used are shown below:

- Probability of death: reference to RG48 mortality tables published by the State General Accounting Office;
- Probability of incapacity: reference to INPS tables broken down by age and sex;
- Retirement Age: 100% upon attainment of AGO requirements as adjusted by Legislative Decree No. 4/2019;
- The annual frequencies of anticipation and turnover, have been derived from the Company's historical experience and are both 4%.

As required by IAS19, the following tables provide a sensitivity analysis for each relevant actuarial assumption at the end of the financial year, showing the effects that would have occurred as a result of changes in the actuarial assumptions that were reasonably possible at that date, in absolute terms, an indication of the contributions for the following financial year, the average financial duration of the obligation and the payments envisaged by the plan.

The following are the outcomes of that analysis:

Sensitivity analysis of the main valuation parameters (Euro 000's)	
Turnover rate +1.00%	3,431
Turnover rate -1.00%	3,532
Inflation rate +0.25%	3,545
Inflation rate -0.25%	3,414
Discount rate +0.25%	3,396
Discount rate -0.25%	3,565

Service Cost and Duration	
Service Cost future annual (Euro 000's)	497
Plan Duration (years)	14.39

Estimated future disbursements (Euro 000's)	
Year 1	268
Year 2	324
Year 3	289
Year 4	351
Year 5	323

14. Trade payables and other non-current and current payables

As at 12/31/2021, the Company has Trade payables of 6,343 thousand euros, an increase of 1,347 thousand euros compared to 12/31/2020. Details are shown in the table below:

TRADE PAYABLES (In Euro 000's)	12/31/21	12/31/20	Change	% Chg
Trade payables to suppliers	4,956	3,662	1,294	35%
Receivables from subsidiaries	191	42	149	355%
Other trade payables	1,196	1,292	(96)	-7%
Total trade payables	**6,343**	**4,996**	**1,347**	**27%**

Other trade payablesrefer entirely to advances on payments to suppliers made via the so-called "confirming" platform to optimize cash flow.

The item Other non-current payables did not change during the year or in the previous year.

Other Current Payables show a balance at 12/31/2021 of 14,509 thousand euros, down 8,211 thousand euros from 12/31/2020. Details are shown in the table below:

OTHER NON-CURRENT AND CURRENT PAYABLES (in thousands of euros)	12/31/21	12/31/20	Change	% Chg
Other non-current payables:				
Other non-current payables	-	-	-	-
Total non-current payables	-	-	-	-
Other current payables:				
Advances from customers on supplies in progress	5,197	1,464	3,733	255%
Advances from customers on supplies awaiting installation	6,527	18,502	(11,975)	-65%
Advances from subsidiaries on supplies in progress	119	-	119	-
Advances from subsidiaries on supplies awaiting install.	234	258	(24)	-9%
Due to social security institutes	512	492	20	4%
Due to personnel	1,468	1,555	(87)	-6%
Accrued liabilities and deferred income	56	127	(71)	-56%

OTHER NON-CURRENT AND CURRENT PAYABLES (in thousands of euros)	12/31/21	12/31/20	Change	% Chg
Accrued expenses and deferred income on intercompany items	45	-	45	0%
Contributions on account	343	303	40	13%
Other payables	8	19	(11)	-58%
Total other current payables	**14,509**	**22,720**	**(8,211)**	**-36%**
GENERAL TOTAL	**14,509**	**22,720**	**(8,211)**	**-36%**

Total advances from clients of 12,077 thousand euros as at December 31, 2021 are down 8,147 thousand euros on the previous year. Advance payments from customers represent the largest share of other payables and are broken down between supplies for which, respectively, no sale or installation has been completed at the end of the financial year (ex IFRS 15).

Social security and welfare payables refer to amounts due to social security and welfare institutions (specifically INPS and other forms of assistance).

Amounts due to staff refer to sums accrued but not yet paid in relation to unused vacation entitlements and residual paid leave, production bonuses, incentives accrued for executive and sales staff and advances on travel expenses incurred on behalf of the Company by employees on secondment.

15. Deferred tax liabilities

Deferred tax liabilities as of 12/31/2021 amount to 17 thousand euros, down 145 thousand euros on 12/31/2020.

The following table shows the changes in deferred tax liabilities during fiscal 2021 and 2020.

TAX LIABILITIES FOR DEFERRED TAXES (in thousands of euros)	
Opening balance	162
Increases	10
Decreases	(155)
Closing balance	**17**

A breakdown of deferred tax liabilities is provided below.

TAX LIABILITIES FOR DEFERRED TAXES (in thousands of euros)	12/31/21	12/31/20	Change	% Chg
Depreciation deducted off the books	-	153	(153)	-100%
Other temporary differences	17	9	8	89%
TOTAL	**17**	**162**	**(145)**	**-90%**

16. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Other current and non-current financial liabilities as of 12/31/2021 amount to 358 thousand euros, down 360 thousand euros compared to 12/31/2020.

NON-CURRENT AND CURRENT FINANCIAL ASSETS (Euro 000's)	12/31/21	12/31/20	Change	% Chg
Financial derivative instruments liabilities	-	32	(32)	-100%
Bonds issued - portion due after 12 months	-	358	(358)	-100%
Total Non-Current	-	390	(390)	-100%
Bonds issued - portion within 12 months	358	328	30	9%
Total Current	358	328	30	9%
GENERAL TOTAL	**358**	**718**	**(360)**	**-50%**

The decrease in Other current and non-current financial liabilities is due to the extinction of all derivative contracts in 2021 and the reduction in the payable to bondholders, for which only the portion maturing within the year remains.

The remaining debt of 358 thousand euros at the end of the year refers solely to the "Bond TM 3.80%" issued on July 15, 2018, with a duration of 3 years, of which 1 is pre-amortization. The last tranche is scheduled to be repaid in July 2022.

17. Payables for current and non-current IFRS 16

Current and non-current IFRS 16 payables as of 12/31/2021 amount to 3,544 thousand euros, down 1,105 thousand euros on 12/31/2020.

A breakdown of debt by type of contract is provided below.

CURRENT AND NON-CURRENT PAYABLES FOR IFRS 16 (In Euro 000's)	12/31/21	12/31/20	Change	% Chg
Payables for building leases	2,326	2,511	(185)	-7%
Payables for car rental and leasing contracts	368	648	(280)	-43%
Payables for machinery and equipment hire contracts	153	736	(583)	-79%
Total Non-Current	2,847	3,895	(1,048)	-27%
Payables for building leases	241	229	12	5%
Payables for car rental and leasing contracts	347	342	5	1%
Payables for machinery and equipment hire contracts	109	183	(74)	-40%
Total Current	697	754	(57)	-8%
GENERAL TOTAL	**3,544**	**4,649**	**(1,105)**	**-24%**

PAYABLES FOR IFRS 16 - MOVEMENTS (Euro 000's)	
Payables for building leases at 12/31/2020	2,740
Payables for rental agreements and leasing Cars at 12/31/2020	990
Payables for machinery and equipment rental contracts at 12/31/2020	919
Total as at 12/31/2020	**4,649**
New Contracts:	
Rental buildings	77
Rental and leasing Cars	81
Machinery and equipment rental	99
Total New Contracts	**258**
Refunds:	
Rental buildings	(250)
Rental and leasing Cars	(356)
Machinery and equipment rental	(756)
Total refunds	**(1,362)**
Rental buildings	2,567
Rental and leasing Cars	715
Machinery and equipment rental	262
Total as at 12/31/2021	**3,544**
of which:	
Payables for current IFRS 16 as at 12/31/2021	697
Payables for non-current IFRS 16 as at 12/31/2021	2,847
Payables for IFRS 16	**3,544**

The following table shows the time distribution of payables per IFRS 16.

CURRENT AND NON-CURRENT PAYABLES FOR IFRS 16 - TEMPORAL DISTRIBUTION (Euro 000's)	2022	2023	2024	2025 and beyond	TOTAL
Lease agreements	241	247	252	1,827	2,567
Car rental and leasing	347	228	135	5	715
Machinery and equipment rental	106	98	53	4	262
TOTAL	**694**	**573**	**440**	**1,837**	**3,544**

18. Current taxes payable

Current tax payables as of 12/31/2021 amount to 376 thousand euros, up 26 thousand euros on 12/31/2020.

CURRENT TAXES PAYABLES (In Euro 000's)	12/31/21	12/31/20	Change	% Chg
Foreign VAT payables	22	-	22	0%
Income tax payable	-	-	-	0%
Withholding taxes on employee income	326	322	4	1%
Other minor payables	28	28	-	0%
TOTAL	**376**	**350**	**26**	**7%**

19. Provisions for risks and charges

Allowances for risks and charges as of 12/31/2021 total 422 thousand euros, up 133 thousand euros on 12/31/2020. The following table shows a summary:

PROVISIONS FOR RISKS AND CHARGES (Euro 000's)	Provision for guarantee risks	Other provisions	TOTAL
Opening balance	289	0	289
Provisions	100	33	133
Uses during the period	0	0	0
Rounding	0	0	0
Closing balance	**389**	**33**	**422**

The warranty provision relates to accruals for technical warranty work on the Company's products and is deemed adequate in relation to the warranty costs to be incurred.

Other provisions of 33 thousand euros refer to tax proceedings underway at the reporting date.

Provisions represent management's best estimate of the liabilities to be accounted for.

INCOME STATEMENT

As noted above, the Company presents its income statement by "nature".

20. Total sales and change in inventories of finished productsand work in progress

Details of sales and changes in inventories are provided below:

SALES (Euro 000's)	12/31/21	12/31/20	Change	% Chg
Revenues from sales to third parties	36,714	21,571	15,143	70%
Revenues from intercompany sales	2,021	1,590	431	27%
TOTAL SALES	**38,735**	**23,161**	**15,574**	**67%**

During the year the Company posted revenues from sales totaling 38,735 thousand euros, compared with 23,161 thousand euros in the previous period, marking an increase of 15,574 thousand euros and taking account of revenues from third parties and *intercompany* revenues.

CHANGE IN INVENTORY (in thousands of euros)	12/31/21	12/31/20	Change	% Chg
Change in inventory of work in progress, semi-processed and finished products	(1,108)	1,314	(2,422)	-184%
Changes in inventories of finished products and goods for resale	(428)	(547)	119	-22%
Changes in inventories of work in progress and awaiting installation	(8,389)	6,653	(15,042)	-226%
TOTAL	**(9,925)**	**7,420**	**(17,345)**	**-234%**

During the year the Company recorded changes in inventories of finished products and work in progress totaling (9,925) thousand euros compared with the 7,420 thousand euros of the previous period, representing a decrease of 17,345 thousand euros in absolute terms.

The following tables show a breakdown of revenues by sector and geographical area.

REVENUE FROM SALES AND SERVICES Breakdown by sector	12/31/21		12/31/20		Change
	(Euro 000's)	%	(Euro 000's)	%	(Euro 000's)
AUTOMATION	12,616	33%	8,037	35%	4,579
ELECTRONICS AND LASER	4,856	13%	3,907	17%	949
SEMICONDUCTORS	18,076	47%	9,533	41%	8,543
SERVICE AND VARIOUS	3,187	8%	1,684	7%	1,503
TOTAL	**38,735**	**100%**	**23,161**	**100%**	**15,574**

REVENUE FROM SALES AND SERVICES Breakdown by geographical area	12/31/21		12/31/20		Change
	(Euro 000's)	%	(Euro 000's)	%	(Euro 000's)
ITALY	8,795	23%	3,476	15%	5,320
REST OF EUROPE	12,368	32%	9,446	41%	2,922
AMERICA	7,362	19%	3,914	17%	3,448
ASIA	10,210	26%	6,325	27%	3,885
TOTAL	**38,735**	**100%**	**23,161**	**100%**	**15,574**

21. Other operating revenues

Details of Other operating income are provided below:

OTHER OPERATING INCOME (Euro 000's)	12/31/21	12/31/20	Change	% Chg
Capitalization of intangible fixed assets	1,154	876	278	32%
Capitalization of tangible fixed assets	1,245	810	435	54%
Public contributions on quotation expenses	500	-	500	0%
Public contributions on R&D costs	398	280	118	42%
Public contributions on European projects	118	402	(284)	-71%
Contributions on financing	240	-	240	0%
Various public contributions	30	27	3	11%
Other revenues	26	22	4	18%
TOTAL	**3,711**	**2,417**	**1,294**	**54%**

During the year the Company posted other operating income totaling 3,711 thousand euros, compared with 2,417 thousand euros in the previous period, representing an increase of 1,294 thousand euros.

In relation to contributions, see the specific paragraph on transparency of public disbursements.

22. Product cost (raw materials and external processing)

Product Cost includes the cost of producing or purchasing the products and goods sold. Accordingly, this item includes the cost of raw materials and external processing that participated directly or auxiliarily in the generation of revenues from the sale of products or services. It should be noted that this item includes write-downs of inventories, while this item does not include provisions made to cover warranty costs for products sold, transport costs incurred for deliveries to customers, and sales commissions paid to distributors.

Details of product cost (raw materials and external processing) are provided below:

PRODUCT COST (Euro 000's)	12/31/21	12/31/20	Change	% Chg
Change in inventories of raw materials	(138)	(139)	1	-1%
Purchase of raw materials	8,110	9,277	(1,167)	-13%
Purchase of semi-finished products and third party processing	3,297	3,018	279	9%
Cost of external personnel	292	642	(350)	-55%
Packaging and various	24	18	6	33%
TOTAL	**11,585**	**12,816**	**(1,231)**	**-10%**

The cost of products as of 12/31/2021 amounts to 11,585 thousand euros, down 1,231 thousand euros on 12/31/2020; the main components include purchases of raw materials (8,110 thousand euros) and semi-finished goods and work carried out by third parties (3,297 thousand euros).

23. Personnel costs

A breakdown of Personnel costs is provided below:

PERSONNEL COSTS (Euro 000's)	12/31/21	12/31/20	Change	% Chg
Remuneration of directors	501	439	62	14%
Accessory charges on directors' fees	58	75	(17)	-23%
Wages and salaries	8,471	8,133	338	4%
Social security charges	2,625	2,493	132	5%
Severance pay and pension funds	549	505	44	9%
Other personnel costs	245	140	105	75%
TOTAL	**12,449**	**11,785**	**664**	**6%**

As of 12/31/2021, payroll costs totaled 12,449 thousand euros, up 664 thousand euros from 12/31/2020. The increase is primarily due to the hiring of new resources during the year.

24. Other operating costs

A breakdown of Other operating costs is provided below:

OTHER OPERATING COSTS (Euro 000's)	12/31/21	12/31/20	Change	% Chg
Purchases of materials not related to production	243	221	22	10%
Transport and storage costs	295	409	(114)	-28%
Assistance and maintenance	134	130	4	3%
Utilities	203	154	49	32%
Insurance	216	212	4	2%
Commercial consulting	231	554	(323)	-58%

Legal and administrative consulting	693	297	396	133%
Technical Consulting	267	60	207	345%
Remuneration of corporate bodies	118	52	66	127%
Intercompany services	334	367	(33)	-9%
Fairs, advertising and entertainment expenses	372	90	282	313%
Cleaning and sanitation expenses	105	88	17	19%
Expenses for travel and other personnel	614	502	112	22%
Financial services fees	83	126	(43)	-34%
Other costs for services	56	59	(3)	-5%
Short-term rentals and leases	33	105	(72)	-69%
Software usage fees	47	61	(14)	-23%
Provisions	133	289	(156)	-54%
Donations	19	77	(58)	-75%
Miscellaneous taxes and duties	61	57	4	7%
Other costs	49	78	(29)	-37%
TOTAL	**4,306**	**3,988**	**318**	**8%**

Other operating costs incurred by the Company during the year ended 12/31/2021 totaled 4,306 thousand euros, up 318 thousand euros from 12/31/2020.

25. Amortization, depreciation & write-downs

A breakdown of the item "Amortization, depreciation and write-downs" is provided below:

AMORTISATION, DEPRECIATION AND WRITE-DOWNS (Euro/000's)	12/31/21	12/31/20	Change	% Chg
Amortization of intangible fixed assets	793	813	(20)	-2%
Depreciation of tangible fixed assets	1,756	1,872	(116)	-6%
Write-downs of tangible and intangible assets	32	-	32	0%
Write-down of receivables	85	59	26	44%
TOTAL	**2,666**	**2,744**	**(78)**	**-3%**

26. Non-recurring income and charges

Non-recurring income and expense is detailed below:

NON-RECURRING EXPENSES AND INCOME (Euro 000's)	12/31/21	12/31/20	Change	% Chg
Write-down of equity investments	-	(200)	200	-100%
Legal expenses	(250)	-	(250)	0%
TOTAL	**(250)**	**(200)**	**(50)**	**25%**

27. Financial income and charges

Financial management in 2021 resulted in a negative balance of 727 thousand euros. This item is detailed in the table below:

FINANCIAL MANAGEMENT (Euro 000's)	12/31/21	12/31/20	Change	% Chg
Financial income	1	2	(1)	-50%
Interest expense on loans and derivatives	(392)	(255)	(137)	54%
Interest expense on bonds	(22)	(68)	46	-68%
Other bank interest expenses	(227)	(315)	88	-28%
Interest expense IFRS 16	(85)	(99)	14	-14%
Interest expense IAS 9	(17)	(21)	4	-19%
Other financial charges	(30)	(58)	28	-48%
Net financial expense	(772)	(814)	42	-5%
Net result of foreign currency transactions	45	4	41	1025%
Total financial management	**(727)**	**(810)**	**83**	**-10%**

28. Income taxes

Income taxes for 2021 show a net balance of 340 thousand euros, primarily due to the balance of current and deferred taxation.

INCOME TAXES (in Euro 000's)	12/31/21	12/31/20	Change	% Chg
IRES - tax credit pursuant to art. 19 of Legislative Decree 73/21	143	-	143	-
IRES for the year	-	-	-	-
IRAP for the year	(15)	1	(16)	-1600%
Prepaid taxes	210	108	102	94%
Deferred taxes	(6)	(147)	141	-96%
Taxes from previous years	15	-	15	0%
Substitute taxes	(7)	(1)	(6)	0%
TOTAL	**340**	**(39)**	**379**	**-972%**

Below is a reconciliation of the theoretical and actual tax expense:

RECONCILIATION BETWEEN THEORETICAL AND ACTUAL RATES (Euro 000's)	12/31/21	12/31/20
EBT	538	655
IRES tax rate	24%	24%
Theoretical IRES on income	(129)	(157)
Difference in pre-tax profit OIC/IFRS		(330)
Tax effect of permanent differences:		
for non-taxable contributions and benefits	(1,383)	(522)
for charges recorded as a reduction in shareholders' equity	(252)	-
for write-down of equity investments	-	200

RECONCILIATION BETWEEN THEORETICAL AND ACTUAL RATES (Euro 000's)	12/31/21	12/31/20
other permanent differences	358	272
Tax effect of temporary changes:		
for provisions for risks and write-downs	190	299
for FTA differences	(248)	(29)
other temporary differences	(57)	(606)
Total changes	(1,392)	(716)
ACTUAL TAX RESULT	(854)	(61)
EFFECTIVE TAX BURDEN	-	-
ACTUAL RATE	-	-

Disclosure on transparency of public disbursements

Pursuant to article 1, paragraphs 125-129 of Law no. 124/2017 subsequently supplemented by the "Security" decree-law (no. 113/2018) and the "Simplification" decree-law (no. 135/2018), the following information is set out below regarding grants, contributions, paid assignments and in any case economic benefits of any kind provided to the Company in the 2021 financial year by public administrations and a series of entities assimilated to these with which they have economic relations.

The entities identified as the source of disbursements to be disclosed are:

- the public administrations and the entities referred to in article 2-bis of Legislative Decree no. 33 of 14 March 2013;
- companies controlled, in law or in fact, directly or indirectly, by public administrations, including companies with shares listed on regulated markets and their subsidiaries;
- publicly-owned companies, including those issuing shares listed on regulated markets and their subsidiaries.

The following table provides information on subsidies, grants, paid assignments and economic benefits of any kind pertaining to the financial year 2021, the beneficiary of which is the Company itself for all amounts.

PROVIDER	DESCRIPTION	AMOUNT RECEIVED (Euro 000's)	AMOUNT OF COMPENSATION (Euro 000's)
Ministry of Economic Development	Public contributions on quotation charges	500	500
Ministry of Economic Development	Public contributions on R&D costs	93	398
European Union - Universidad Politecnica Madrid	Public contributions on R&D costs	49	49
European Union	Public contributions on R&D costs	-	40
European Union - Piedmont Region	Public contributions on R&D costs	69	69
SACE - SIMEST S.p.A.	Integrated Promotion Fund	240	240
Ministry of Economic Development	Capitalization tax credit	-	143

PROVIDER	DESCRIPTION	AMOUNT RECEIVED (Euro 000's)	AMOUNT OF COMPENSATION (Euro 000's)
Ministry of Economic Development	Tax receivables capital goods	2	28
Ministry of Economic Development	Sanitation tax credit	14	1
TOTAL		**967**	**1,468**

For aid related to guarantees received on loans, reference is made to the National Register of State Aid.

Guarantees given, commitments and other potential liabilities

In addition to the probable liabilities for which provisions have been made in the provisions for risks, the Company has no contingent liabilities, as described in IAS 37, to report.

Related party disclosures

Transactions with related parties are carried out in compliance with the provisions of the laws in force, are part of the normal management of business activities and are settled at market prices. For the definition of related party, reference is made to the International Accounting Standards adopted by the European Union (IAS 24). In compliance with the provisions contained in this principle and in the procedure on related parties, not only the Directors of the Company but also the managers with strategic responsibilities should be identified as related parties.

In the past year, the Group companies did not have any other key management personnel besides the Managing Directors.

The Company entered into the following transactions with subsidiaries during fiscal 2021:

RELATED PARTIES (Euro 000's)	Osai A.S. Gmbh	Osai A.S. Dalian Co	Osai A.S. USA Ltd
Business and miscellaneous relationships:			
Receivables for invoices issued	707	-	24
Receivables for invoices to be issued	16	-	6
Payables for invoices received	3	137	15
Payables for invoices to be received	-	36	-
Advances from customers	353	-	-
Accrued liabilities and deferred expenses	45	-	-
Revenues - goods	1,670	-	184
Revenues - provision of services	132	-	34
Costs - goods	-	-	-
Costs - services	-	306	28
Financial Reports:			
Receivables	-	-	-
Payables	-	-	-

The Company entered into the following transactions with related parties other than subsidiaries during fiscal yearor 2021:

RELATED PARTIES - top management functions (Euro 000's)	Remuneration	Receivables	Payables
BoD - Directors with delegated powers	660	0	72
Board of Statutory Auditors	52	0	0

Remuneration of corporate bodies and auditing firm

Information concerning the Directors and Auditors is provided below:

Remuneration of corporate bodies	Amounts (Euro 000's)
BoD	501
Board of Statutory Auditors	52

The following is information regarding the fees to the audit firm:

Fees to the Auditing Firm	Amounts (Euro 000's)
Statutory audit of annual accounts - statutory and consolidated financial statements	27
Legal audit of the sustainability report	9
Auditing services	3
Total compensation due to independent auditors	**39**

Employment data

The following table shows the number of employees broken down by category:

Employee category	12/31/20	hires	out-going	level changes	12/31/21
Executives	6	-	-	-	6
Managers	8	-	-	1	9
White-collar workers	141	21	(10)	5	157
Blue-collar workers	28	4	(1)	(6)	25
Total Employees	**183**	**25**	**(11)**	**0**	**197**

INFORMATION RELATED TO INNOVATIVE SMES

Research and development expenses pursuant to Decree Law 3/2015

The company, having met the requirements so far, is registered in the special register of "innovative SMEs" at the Companies' Register pursuant to Legislative Decree no. 3/2021.

The following are the research and development expenses incurred for the purposes of verifying the requirement of Article 4, paragraph 1 of Decree-Law 3/2015, for the qualification of "innovative SME".

The requirement is met as research and development expenses are equal to or greater than 3% of the greater of cost and total value of production, as shown in the values below:

A - Research and development expenses: 2,537 thousand euros (entirely relating to internal staff costs).

B - Greater between cost and value of production: 32,521 thousand euros

Relationship between A and B: 7.80%

It is also specified that the company holds industrial patents.

Research and technological development activities

As in previous fiscal years, several research and technology development programs were pursued during 2021.

In addition to capitalized development costs, the Company incurred costs that it expensed during the year.

The research and technological innovation programs developed, in relation to the portion relating to the 2021 financial year, can be considered completed, achieving the set results.

The study and development of projects has involved planning, prototyping and testing activities that have seen the involvement of our specialized internal staff, as well as the acquisition of external technical consultancy.

The related costs incurred generated a tax credit pursuant to article 1, paragraphs 198-209, L. 160/2019 (Budget Law 2020), as amended by Law 178/2021 (Budget Law 2021) and the related implementing decree Ministerial Decree of 05/26/2020 amounting to 398 thousand euros, recorded under current assets in the balance sheet among tax credits.

Transactions deriving from atypical and/or unusual operations

During 2021, the Company did not carry out atypical and/or unusual transactions, i.e. transactions which, because of their significance/importance, the nature of the counterparties, the subject of the transaction, the way in which the transfer price was determined and the timing of the event (close to the end of the financial year) might give rise to doubts concerning: the correctness/completeness of the information in the financial statements, conflict of interests, the safeguarding of corporate assets, the protection of minority interests.

Summary of key data from the latest financial statements of subsidiaries

The following table summarizes key figures from the financial statements of subsidiaries as of 12/31/2021.

SUMMARY OF FINANCIAL STATEMENTS OF SUBSIDIARIES (in thousands of euros)	Osai A.S. Gmbh	Osai A.S. Dalian Co	Osai A.S. USA Ltd
NON-CURRENT ASSETS	1	3	-
CURRENT ASSETS	1,111	250	256
TOTAL ASSETS	1,112	253	256
NET EQUITY	(86)	247	225
NON-CURRENT LIABILITIES	-	-	-
CURRENT LIABILITIES	1,198	6	31
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,112	253	256
TOTAL SALES	1,867	317	259
OPERATING INCOME	222	316	72
EBITDA	25	22	7
EBIT	24	22	7
NET PROFIT/(LOSS) FOR THE PERIOD	**24**	**-**	**7**

CHAPTER 11. REPORT ON PASSAGE TO INTERNATIONAL ACCOUNTING STANDARDS/IFRS

FOREWORD

Evolution of the regulatory framework

The information contained in this section is intended to provide a comprehensive overview of the process of transition to international accounting standards for the Osai Automation System S.p.A. Group.

The main guidelines and reference regulations concerning the procedures for transition to the international accounting standards are provided below.

The European Union approved Regulation no. 1606/2002 of 19 July 2002, which is immediately applicable to Member States, establishing the obligation for all companies listed in EU countries to prepare consolidated financial statements in accordance with IAS/IFRS international accounting standards as from the reporting period ending 31 December 2005.

By Resolution no. 14990 of 14 April 2005, Consob made the necessary amendments and additions to the Issuers' Regulations no. 11971 of 14 May 1999, in order to integrate them with the requirements of the international accounting standards for the preparation of interim financial statements and to govern the first year of transition to the new standards.

Italian lawmakers, with CE Law 2003 (Law 306/03), delegated the Government to issue a legislative decree making the use of IAS/IFRS mandatory also for the preparation of the financial statements of listed companies. Legislative Decree 38 of 28 February 2005 regulated the application of IFRS to listed companies, banks, insurance companies and unlisted companies that prepare consolidated financial statements. Based on article 3, companies that draw up consolidated financial statements have the option of preparing them in compliance with international accounting standards, as from the reporting period ending on or about 31 December 2005. This choice is not revocable, save for exceptional circumstances, which are adequately explained in the explanatory notes, together with an indication of the effects on the representation of the consolidated financial position and results of operations.

Decree-Law no. 91 of 24 June 2014 also extended the possibility of adopting IAS/IFRS international accounting standards by companies (s.r.l., s.p.a., cooperatives, s.a.p.a.) that are not subject to the requirement to prepare financial statements in the so-called "abbreviated" form.

The separate and consolidated financial statements of Osai Automation System S.p.A at 31/12/2020 have been prepared in accordance with national accounting standards. During 2021, the transition of the Group's consolidated financial statements and statutory financial statements from Italian accounting standards to the International Financial Reporting Standards (IFRS) was initiated. The transition date was set with the financial statements ending 31/12/2021.

In order to make the financial statement data comparable, it is necessary to also prepare the statement of financial position, income statement and other mandatory statements for the year prior to the date set for the transition.

FIRST-TIME ADOPTION at 31/12/2021

First-time adoption of the international accounting standards (First Time Adoption - IFRS 1) in the preparation of the Parent Company's separate financial statements

IFRS 1 requires that the opening statement of financial position at the date of transition to IFRS be prepared based on the following criteria:

- recognition of all assets and liabilities whose recognition is required by IFRS;
- non-recognition as assets or liabilities of items whose recognition is not permitted by IFRS;
- reclassification of items recognised as one type of asset, liability or component of shareholders' equity in accordance with previous accounting standards but which constitute a different type of asset, liability or component of shareholders' equity in accordance with IFRS;
- adoption of IFRS in the measurement of all assets and liabilities recorded.

The effects of the transition to IAS/IFRS derive from changes in accounting standards and, consequently, as required by IFRS 1, are reflected in the opening shareholders' equity at the date of transition. The transition to IAS/IFRS entailed maintaining the estimates previously formulated in accordance with Italian accounting standards, unless the adoption of IAS/IFRS required the formulation of estimates using different methods.

The Group has prepared the consolidated financial statements at 31/12/2021 in accordance with IFRS and has therefore made the transition to the international accounting standards at 01/01/2021.

Therefore, with regard to Osai Automation System S.p.A., this document comprises:

- notes regarding the rules for the first-time adoption of IAS/IFRS (IFRS 1) and other selected IAS/IFRS standards;
- The IFRS statements of financial position at 01/01/2020, at 31/12/2020 and at 31/12/2021 and the IAS/IFRS income statement for the period ended 31/12/2020 and 31/12/2021;
- comments on the main IAS/IFRS reclassifications and adjustments made to statement of financial position items at 01/01/2020, 31/12/2020 and 31/12/2021;
- the reconciliation between the shareholders’ equity in accordance with previous accounting standards and the shareholders’ equity under IAS/IFRS at the following dates:
  - 01/01/2020;
  - date of closure of the last reporting period for which financial statements were prepared in accordance with the previous accounting standards (31/12/2020);
- the comments on the reconciliation schedules;
- comments on the main changes made to the cash flow statement following the introduction of the new accounting standards.

Accounting options adopted on first-time adoption of IAS/IFRS

The restatement of the opening Statement of Financial Position at 01/01/2021 and of the financial statements as at 31/12/2021 required Osai Automation System S.p.A., among other things, to make the following choices among the options provided for by IAS/IFRS:

- method of presentation of the financial statements: for the statement of financial statement, the "current/non-current" criterion has been adopted (which is generally applied by industrial and commercial businesses), whilst for the income statement, the format with costs classified by nature has been adopted; this has entailed the reclassification of the historical financial statements prepared in accordance with the templates provided for by Legislative Decree no. 127/1991;
- optional exemptions provided for by IFRS 1 on first-time adoption of IAS/IFRS:

- business combinations: OSAI A.S. S.p.A. has not applied IFRS 3 retrospectively to business combination transactions which occurred before the transition date to the IFRS;
- measurement of property, plant and equipment and intangible assets at fair value or, alternatively, at revalued cost as deemed cost: OSAI has applied, for certain categories of assets, the revalued cost as the value in lieu of cost;
- employee benefits: actuarial gains and losses accumulated from the inception of the plans until the date of transition to IFRS are charged directly to shareholders' equity.

As already mentioned, the options chosen correspond to those adopted by the OSAI Group for the transition to IFRS at 01/01/2021. The amounts posted in the assets and liabilities correspond to the data of OSAI A.S. S.p.A. used for the transition to IFRS and the preparation of the Group's consolidated financial statements in accordance with IFRS, updated and restated at 01/01/2021 and 31/12/2021, except for the typical adjustments of the consolidation process and the specific valuation principle for investments in subsidiaries and associated companies.

VALUATION CRITERIA

1. STATEMENT OF FINANCIAL POSITION

1.1 NON-CURRENT ASSETS

1.1.1 Property, plant and equipment

Recognition and measurement

An item of property, plant and equipment is measured at cost, including capitalised borrowing costs, less accumulated depreciation and impairment losses.

If an item of property, plant and equipment consists of several components with different useful lives, these components are recorded separately (significant components).

The gain or loss generated by the disposal of an item of property, plant and equipment is recognised in profit/(loss) for the period.

Subsequent costs

Subsequent costs are only capitalised when it is probable that the related future economic benefits will flow to the Group.

Depreciation

Depreciation of an item of property, plant and equipment is computed to reduce the cost of that item, net of its estimated residual value, on a straight-line basis over the useful life of the item. Amortisation is generally recognised in profit/(loss) for the period. Leased assets are depreciated over the shorter of the lease term and their useful life unless there is a reasonable certainty that the Group will obtain ownership at the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Land: not depreciated
- Machinery: 6.5-15 years
- Photovoltaic system: 11-12 years
- Industrial and commercial equipment: 4 years;

- Equipment consisting of lightweight constructions 10 years
- Furniture and furnishings: 8-9 years
- Electronic office machines: 5 years
- Vehicles: 4-5 years.

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted where necessary.

1.1.2 Intangible fixed assets with a definite useful life

Recognition and measurement

Research and development: research expenses are recognised in profit/(loss) for the period in which they are incurred. Development costs are only capitalised if the cost attributable to the asset during its development can be reliably measured, the product or process is feasible in technical and commercial terms, future economic benefits are probable and the Group intends and has sufficient resources to complete its development and use or sell the asset. Other development expenses are recognised in profit/(loss) for the period as incurred. Capitalised development expenses are recorded at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets: other intangible assets with a defined useful life are recorded at cost less accumulated amortisation and any impairment losses.

Subsequent costs

Subsequent costs are only capitalised when they increase the expected future economic benefits attributable to the asset to which they refer. All other subsequent costs, including internally generated trademarks, are recognised in profit/(loss) in the period in which they are incurred.

Amortisation

Amortisation is recognized in profit/(loss) for the year on a straight-line basis over the estimated useful lives of intangible assets from when the asset is available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Development costs: 5/10 years;
- Software: 3 years;
- Patents: 5 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and are modified as necessary.

1.1.4 Investments

Recognition and measurement

Investments in subsidiaries: Investments in subsidiaries are initially recorded at their acquisition cost including transition costs. Their value is periodically subjected to impairment test to compare the recoverable value with the related carrying amount annually and whenever there is an indication of impairment.

Investments in associates and joint ventures: associates are those undertakings over which the Group or the Company exercises significant influence. Significant influence is defined as when an entity owns, directly or indirectly (e.g., through subsidiaries), 20% or more of the votes exercisable at the investee's shareholders' meeting, unless the contrary can be clearly demonstrated. The existence of significant influence by an entity is usually evidenced in one or more of the following ways: a) representation on the board of directors or equivalent governing body of the investee; b) participation in the policy-making process, including participation in decisions about dividends or other distributions; c) material transactions between the entity and the investee; d) interchange of managerial personnel; or e) provision of essential technical information. A joint venture is when the Group or the Company has an arrangement whereby two or more parties have joint control of the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement Associates and joint ventures are recorded using the equity method and initially recognised at cost. The cost of the investment includes transaction costs. Under the equity method, an investment in an associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the investee's profits or losses realised after the acquisition date. The investor's share of the investee's profit/(loss) for the period is recognised in the investee's profit/(loss) for the period. Dividends received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary as a result of changes in the investor's interest in the investee arising from changes in items in the investee's other comprehensive income. These changes include changes arising from the restatement of property, plant and equipment and from translation differences of foreign currency items. The investor's share of these changes is recognised in other comprehensive income.

Other interests: Interests in other entities are initially recorded at their acquisition cost including transition costs. Their value is periodically subjected to impairment test to compare the recoverable value with the related carrying amount annually and whenever there is an indication of impairment.

1.1.5 Consolidation criteria

Business Combinations

The Group accounts for business combinations by applying the acquisition method on the date on which it actually obtains control of the acquiree. The consideration transferred and the identifiable net assets acquired are usually recognised at fair value. The carrying amount of any goodwill is tested for impairment annually to identify any impairment losses. Any gain from a bargain purchase is recognised immediately in profit/(loss) for the period, while combination-related costs, other than those related to the issuance of debt or equity instruments, are recognised as an expense in profit/(loss) for the period when incurred.

Amounts related to the termination of a pre-existing relationship are excluded from the consideration transferred. Normally these amounts are recognised in profit/(loss) for the period.

Contingent consideration is recognised at fair value at the acquisition date. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not subsequently measured and the future settlement is recognised directly in equity. Other contingent consideration is measured at fair value at each reporting date and changes in fair value are recognised in profit/(loss) for the period.

In the event that the incentives recognised in the share-based payment (replacement incentives) are exchanged for incentives held by employees of the acquiree (acquiree incentives), the value of such replacement incentives of the acquirer is fully or partially included in the measurement of the consideration transferred for the business combination. This valuation takes into consideration the difference in the market value of the replacement incentives compared to that of the acquiree incentives and the proportion of replacement incentives that relate to pre-combination services provided.

Subsidiaries

Subsidiaries are those entities in which the Group has control, i.e. where the Group is exposed to variable returns arising from its relationship with the entity, or has rights to such returns, while having the ability to influence them by exercising its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is acquired until such time as control ceases to exist.

Non-controlling interests

Non-controlling interests are measured in proportion to the acquiree's relative share of identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are recorded as transactions between shareholders.

Loss of control

In the event of loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other equity components relating to the subsidiaries. Any gain or loss resulting from the loss of control is recognised in profit/(loss) for the period. Any investment retained in the former subsidiary is measured at fair value at the date of loss of control.

Investments measured by the equity method

Investments measuring using the equity method are represented by associates and joint ventures.

Associates are entities over the financial and operational policies of which the Group exercises significant influence, although it does not have control or joint control.

Associates and joint ventures are recorded using the equity method and initially recognised at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of profits or losses of investees recognised according to the equity method until the date on which such significant influence or joint control ceases.

Transactions derecognised during consolidation

When preparing the consolidated financial statements, intercompany transaction balances and unrealised intercompany revenues and expenses are derecognised. Losses which are not incurred are derecognised in equal measure with unrealised profits, but only in the absence of indicators which demonstrate an impairment of value.

1.1.6 Financial instruments

Recognition and measurement

Trade receivables and debt securities issued are recognised when they are originated. All other financial assets and liabilities are initially recognised on the trade date, i.e., when the Group becomes a contractual party to the financial instrument.

Except for trade receivables that do not contain a significant financing component, financial assets are initially measured at fair value plus or minus, in the case of financial assets or liabilities not measured at FVTPL, the transaction costs directly attributable to the acquisition or issuance of the financial asset. Upon initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price.

Classification and subsequent measurement

Financial assets

Upon initial recognition, a financial asset is classified based on its measurement:

- amortised cost;
- fair value recorded in other comprehensive income (FVOCI);
- fair value recognized in profit/(loss) for the period (FVTPL).

The Group determines their classification on the basis of the business model pursued in the management of financial assets and the characteristics relating to the contractual cash flows of the financial asset.

Financial assets are not reclassified after their initial recognition, unless the Group changes its business model for managing financial assets. In this case, all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

A financial asset should be measured at amortised cost if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective is the ownership of financial assets for the purpose of collecting the related contractual cash flows; and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

A financial asset should be measured at FVOCI if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held as part of a business model whose objective is achieved through both the collection of contractual cash flows and the sale of financial assets; and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

Upon initial recognition of an equity security not held for trading purposes, the Group may irrevocably choose to present subsequent changes in fair value in other comprehensive income. This choice is made for each asset.

All financial assets not classified as measured at amortised cost or FVOCI, as noted above, are measured at FVTPL. This includes all derivative financial instruments. Upon initial recognition, the Group may irrevocably designate the financial asset as measured at *fair value* through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise result from measuring the financial asset at amortized cost or FVOCI.

Financial assets: business model measurement

The Group assesses the objective of the business model under which the financial asset is held at the portfolio level as best reflecting how the asset is managed and the information reported to management.

Financial assets: measurement to determine whether contractual cash flows consist solely of principal and interest payments.

For measurement purposes, "principal" is the fair value of the financial asset upon initial recognition, while "interest" is the consideration for the time value of money, the credit risk associated with the amount of principal to be repaid during a given period of time, and other basic risks and costs associated with the loan (e.g., liquidity risk and administrative costs), as well as the profit margin.

In assessing whether contractual cash flows consist solely of principal and interest payments, the Group considers the contractual terms of the instrument. Therefore, it assesses, among others, whether the financial asset contains a contractual provision that changes the timing or amount of contractual cash flows such that the following condition is not met. For measurement purposes, the Group considers:

- contingent events that would change the timing or amount of cash flows;
- clauses that could adjust the contractual coupon rate, including floating rate elements;
- prepayment and extension elements; and
- clauses limiting the Group's requests for cash flows from specific assets.

Financial assets: subsequent measurement and gains and losses

Financial assets measured at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including dividends or interest received, are recognised in the profit/(loss) for the period.

Financial assets valued at amortised cost: these assets are subsequently measured at amortized cost in accordance with the effective interest criterion. Amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in pofit/(loss) for the period as are any gains or losses on derecognition.

Debt securities valued at FVOCI: these assets are subsequently measured at fair value. Interest income calculated in accordance with the effective interest method, foreign exchange gains and losses and impairment losses are recognised in profit/(loss) for the period. Other net gains and losses are recognised in other comprehensive income. Upon derecognition, accumulated gains or losses in other comprehensive income are reclassified to profit/(loss) for the period.

Equity securities measured at FVOCI: these assets are subsequently measured at fair value. Dividends are recognised in profit/(loss) for the period unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified in profit/(loss) for the period.

Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from them expire, when the contractual rights to receive the cash flows as part of a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or when the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when the obligation specified in the contract has been fulfilled or cancelled or has expired. The Group derecognises a financial liability even if the related contractual terms are changed and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value based on the modified contractual terms.

The difference between the carrying amount of the financial liability extinguished and the consideration paid (including assets not represented by cash transferred or liabilities assumed) is recognized in profit/(loss) for the period.

Offsetting

Financial assets and liabilities may be offset and the amount resulting from the offset is presented in the statement of financial position if, and only if, the Group currently has the legal right to offset such amounts and intends to settle the balance on a net basis or realise the asset and settle the liability simultaneously.

Derivative financial instruments, including hedge accounting

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks.

Derivative instruments are always measured at fair value with a balancing entry in profit or loss, unless they are effective hedging instruments for a given risk relating to underlying assets or liabilities or commitments undertaken by the Group.

At the beginning of the designated hedging relationship, the Group documents the objectives in managing the risk and the strategy in carrying out the hedge, as well as the economic relationship between the hedged item and the hedging instrument and whether the changes in cash and cash equivalents of the hedged item and the hedging instrument are expected to offset each other.

Cash flow hedging

When a derivative financial instrument is designated as a hedge of exposure to variability in cash flows, the effective portion of changes in the fair value of the derivative financial instrument is recognised in other comprehensive income and presented in the cash flow hedge reserve. The effective portion of changes in the fair value of the derivative financial instrument that is recognised in other comprehensive income is limited to the cumulative change in the fair value of the hedged instrument (at present value) since inception of the hedge. The ineffective portion of changes in the fair value of the derivative financial instrument is recognised immediately in profit/(loss) for the period.

In a hedging relationship, the Group designates only the change in fair value of the spot element of the forward contract as the hedging instrument. The change in the fair value of the forward element of the forward foreign exchange contract (forward points) is recorded separately as a hedge cost and recognised in equity, in the hedge cost reserve.

If a planned hedged transaction subsequently results in the recognition of a nonfinancial asset or liability, for example, inventory, the amount accumulated in the cash flow hedge reserve and the hedge cost reserve is included directly in the initial cost of the asset or liability upon recognition. For all other planned hedged transactions, the amount must be reclassified from the cash flow hedge reserve and hedge cost reserve to profit/(loss) in the same period(s) in which the hedged expected future cash flows affect profit/(loss) for the period.

If the hedge ceases to meet the eligibility criteria or the hedging instrument is sold, matures or is exercised, hedge accounting ceases prospectively. When hedge accounting for cash flow hedges ceases, the amount accumulated in the cash flow hedge reserve remains in equity until, in the case of a hedge of a transaction that results in the recognition of a nonfinancial asset or nonfinancial liability is included in the cost of the non-financial asset or non-financial liability upon initial recognition or, in the case of other cash flow hedges, is reclassified to profit/(loss) for the period in the same period(s) in which the hedged expected future cash flows affect profit/(loss) for the period. If future hedged cash flows are no longer expected, the amount must be reclassified immediately from the cash flow hedge reserve and the hedge cost reserve to profit/(loss) for the period.

1.1.7 Non-financial assets

At each reporting date, the Group ascertains whether there is objective evidence of impairment with reference to the carrying amounts of its non-financial assets, excluding inventory and deferred tax assets. If, as a result of this test, it emerges that the assets have actually been impaired, the Group estimates their recoverable amount. The recoverable amount of goodwill, on the other hand, is estimated annually.

For the purpose of identifying any impairment losses, assets are grouped into the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows generated by other assets or groups of assets (the "cash-generating units" or "CGUs"). Goodwill acquired through a business combination is allocated to the group of CGUs expected to benefit from the synergies.

The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs of disposal. To determine value in use, estimated expected cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset or CGU.

When the carrying amount of an asset or CGU exceeds its recoverable amount, an impairment loss is recognised.

Impairment losses are recognised in profit/(loss) for the period. Those relating to the CGU are first recorded as a reduction in the carrying amount of any goodwill allocated to the CGU, and then proportionately as a reduction in the other assets comprising the CGU.

Goodwill impairment losses cannot be reversed. For other assets, impairment losses recognised in prior periods are reversed up to the carrying amount that would have been determined (net of depreciation and amortisation) if the asset impairment loss had never been recognised.

1.1.8 Deferred taxes

Deferred taxes are recorded with reference to temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts recognised for tax purposes. Deferred taxes are not recognised for:

- temporary differences relating to the initial recognition of assets or liabilities in a transaction other than a business combination that affects neither accounting profit (or loss) nor taxable income (or tax loss);
- temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that, in the foreseeable future, the temporary difference will not reverse; and
- taxable temporary differences relating to the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses and tax credits, as well as deductible temporary differences, to the extent that it is probable that future taxable income will be available against which such assets can be utilised. Future taxable income is defined on the basis of the reversal of the related deductible temporary differences. If the amount of taxable temporary differences is not sufficient to fully recognise a deferred tax asset, the future taxable income, adjusted for the reversal of existing temporary differences, provided for in the business plans of the individual Group subsidiaries is taken into consideration. The value of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the related tax benefit will be realised. These reductions must be restored when the likelihood of earning future taxable income increases.

Unrecognised deferred tax assets are reviewed at the end of each reporting period and are recognised to the extent that it has become probable that the Group will earn sufficient taxable profit in the future to utilise them.

Deferred taxes are measured using the tax rates that are expected to apply to temporary differences in the year in which they reverse based on tax rates established by regulations in effect or substantially in effect at the end of the reporting period.

The measurement of deferred taxes reflects the tax effects arising from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of assets and liabilities.

Deferred tax assets and liabilities are only offset when certain criteria are met.

1.2 CURRENT ASSETS

1.2.1 Inventory

Inventory is recorded at the lower of purchase cost, including all directly attributable ancillary costs and charges and indirect costs of internal production, and estimated realisable amount based on market trends.

In particular:

Inventory represented by raw materials is measured using the weighted average cost method.

Inventory of semi-finished goods and work in progress, consisting primarily of machinery and equipment under construction and awaiting order at the reporting date, is measured at actual cost at the reporting date.

Contract work in progress (for which there is an order in progress at the reporting date), relating to machinery for sale, under construction at the reporting date, has been quantified by adopting the percentage of completion criterion. Measurement of this inventory is therefore carried out to an extent corresponding to the revenue accrued at the reporting date, determined with reference to the state of progress of the work, using the cost-to-cost approach.

Finished goods and merchandise (machinery and finished equipment in inventory at the reporting date) are measured at cost of production.

Any advances from customers are recorded under other current payables until the related revenue is recognised.

Provisions are calculated for materials, finished products, spare parts and other supplies considered obsolete or slow-moving, taking into account their expected future use and realisable value.

In compliance with the provisions of IFRS 15, revenue from sales are posted only when the performance obligation is satisfied. Since the only performance obligation recognised for IFRS 15 within sales contracts is the installation of the plant (unless otherwise stated). Prior to the satisfaction of the performance obligation, the activities carried out are indicated under "Inventory" recorded using the *cost-to-cost* method including the contract margin allocated to the stage of completion.

1.2.2 Trade receivables

Trade receivables, deriving from the sale of goods or services produced or marketed by the Group, are included in current assets. These are recorded at the nominal amount shown on the invoice net of the provision for bad debts, which is set aside on the basis of estimates of the risk of receivables being uncollectible at the reporting date.

Trade receivables are subsequently measured at amortised cost, which represents the value at which they were measured upon initial recognition net of principal repayments, plus or minus the cumulative amortisation using the effective interest method on any difference between the initial value and the value at maturity, and less any reduction (either directly or through the use of an allowance) as a result of impairment or assessment of uncollectibility.

Upon initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price.

Impairment losses are recognised in the financial statements when there is objective evidence that the Group will not be able to recover the amount due from the counterparty based on the contractual terms.

Objective evidence includes events such as:

a) significant financial difficulties of the debtor;

b) open legal disputes with the debtor regarding the collectability of the receivable;

c) likelihood of the debtor filing for bankruptcy or other financial restructuring proceedings.

The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows recognised in profit or loss. Unrecoverable receivables are removed from the statement of financial position with an offsetting entry to the provision for bad debts. If, in subsequent periods, the reasons for previous impairment losses cease to apply, the value of the assets is reinstated up to the value that would have derived from measurement at amortised cost.

1.2.3 Cash and cash equivalents

These include cash, deposits with banks or other lending institutions available for current transactions, postal accounts and other equivalent securities, and investments maturing within three months of the date of purchase. Cash and cash equivalents are entered at fair value, which normally coincides with the nominal value.

1.3 LIABILITIES

1.3.1 Share capital

Ordinary shares

Incremental costs directly attributable to the issuance of ordinary shares are recorded as a decrease in equity. Income taxes related to the transaction costs of a capital transaction are recognised in accordance with IAS 12.

Repurchase and reissue of ordinary shares (treasury shares)

In the event of the repurchase of shares recorded under equity, the consideration paid, including costs directly attributable to the transaction, is recorded as a reduction of equity. Shares repurchased this way are classified as treasury shares and recorded in the reserve for treasury shares. The consideration received from the subsequent sale or reissue of treasury shares is recorded as an increase in equity. Any positive or negative difference arising from the transaction is posted to the share premium reserve.

FTA reserve and FVOCI reserve

The FTA reserve includes all pre-IFRS changes for the adjustment of opening balances to IFRS.

The FVOCI reserve holds changes in the fair value of financial instruments and assets following their valuation at fair value. Measurement differences are also recognised in other comprehensive income.

1.3.2 Loans payable

Loans are recorded at the fair value of the consideration received net of ancillary charges directly attributable to the financial asset. After initial recognition, loans are measured at amortised cost using the effective interest rate method.

1.3.3 Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised as an expense when the service giving rise to those benefits is provided. The Group recognises a liability for the amount expected to be paid when it has a present, legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

Share-based payment transactions

The Group does not currently engage in share-based payment transactions.

Defined contribution plans

Contributions payable to defined contribution plans are recognised as an expense in profit/(loss) over the period in which employees serve; contributions made in advance are recognised as an asset to the extent that the prepayment will result in a reduction in future payments or a refund.

Defined benefit plans

The Group's net obligation under defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have accrued in exchange for service in the current and prior periods; this benefit is discounted and the fair value of any plan assets are deducted from the liabilities.

The calculation is performed by an independent actuary using the projected unit credit method. If the calculation generates a benefit for the Group, the amount of the asset recognised is limited to the present value of the economic benefits available in the form of refunds from the plan or reductions in future plan contributions.

Actuarial gains and losses, returns from any plan assets (excluding interest), and the effect of the asset ceiling (excluding any interest) that arise from remeasurements of the net defined benefit plan liability are recognised immediately in other comprehensive income. Net interest for the period on the net defined benefit liability/(asset) is calculated by applying to the net liability/(asset), the discount rate used to discount the defined benefit obligation, determined at the beginning of the period, considering any changes in the net defined benefit liability/(asset) that occurred during the period as a result of contributions received and benefits paid. Net interest and other costs related to defined benefit plans are instead recognised in profit/(loss) for the period.

When changes are made to a plan's benefits or when a plan is reduced, the portion of the economic benefit relating to past service or the gain or loss resulting from the reduction in the plan is recognised in profit/(loss) for the period when the adjustment or reduction occurs.

Other long-term employee benefits

The Group's net obligation as a result of long-term employee benefits is the amount of future benefit that employees have accrued for service in the current and prior periods. This benefit is discounted. Remeasurements are recognised in profit/(loss) for the period as they arise.

Benefits due to employees upon termination of employment

Benefits due to employees on termination of employment are recognised as an expense when the Group has committed without the possibility of withdrawal to the offer of such benefits or, if earlier, when the

Group recognises restructuring costs. Benefits fully payable more than twelve months after the end of the period are discounted.

1.3.4 Provisions

Provisions for risks and charges are recognised when, at the reporting date, in the presence of a legal or constructive obligation to third parties arising from a past event, it is probable that an outflow of resources will be required to satisfy the obligation, the amount of which can be reliably estimated.

This amount represents the best discounted estimate of the expense required to settle the obligation.

The rate used in determining the present value of the liability reflects current market values and includes additional effects relating to the specific risk associated with each liability. Changes in estimates are reflected in profit or loss for the period in which the change occurs. For certain disputes, the information required by IAS 37 - Provisions, Contingent Liabilities and Contingent Assets is not reported, in order not to prejudice the Group's position in such disputes or negotiations.

Risks for which the occurrence of a liability is only possible are disclosed in the appropriate section on commitments and risks and no provision is made.

With reference to assets and liabilities deriving from contracts, in the event that the review of the economic plans (whole life estimates) during the life of a contract highlights the presence of elements that make them costly, the portion of costs considered "inevitable" that exceeds the economic benefits deriving from the contract is recognised in full in the reporting period in which it becomes reasonably foreseeable and set aside in a "Provision for onerous contracts", posted among the provisions for current risks and charges. The reversal of these provisions is recognized as an absorption within "Other operating income".

1.3.5 Leases

Determine whether an agreement contains a lease

At the inception of an arrangement, the Group verifies whether the arrangement is or contains a lease. At the inception of the arrangement or upon review of the arrangement, the Group segregates the fees and other consideration under the arrangement by classifying them as lease payments and payments for other items based on their relative fair values. If, in the case of a finance lease, the Group concludes that it is not feasible to reliably divide the lease payments, an asset and a liability are recognised in an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and a finance charge is recognised on the liability using the Group's marginal borrowing rate.

Leased assets

Leased property, plant and equipment that transfer substantially all the risks and rewards of ownership of the asset to the Group are classified as finance leases. Assets acquired through leases are initially recognised at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. After initial recognition, the asset is measured in accordance with the accounting standard applicable to that asset.

Other leased assets fall under operating leases and are not recognised in the Group's statement of financial position.

Lease payments

Payments related to operating leases are recognised as an expense on a straight-line basis over the lease term. Incentives granted to the lessee are recognised as an integral part of the total lease cost over the lease term.

Minimum payments due on finance leases are split between interest expense and reduction of outstanding debt. Interest expense is allocated over the term of the lease so as to achieve a constant interest rate on the remaining liability.

2 INCOME STATEMENT

2.1 Revenue from contracts with customers

Based on the provisions of IFRS 15, revenue from contracts with customers are recognised when control of the goods or service is transferred to the customer, which can be satisfied over time or at a specific point in time.

Contracts related to the sale of new production facilities, which meet the requirements for "over time" revenue recognition, are classified as "assets arising from contracts". Specifically, "assets arising from contracts" represent the right to consideration for goods or services that have already been transferred to the customer;

Where there is more than one performance obligation within a contract, representing a contractual promise to transfer to the customer a distinct good or service (or a bundle of distinct goods or services that are essentially the same and are transferred in the same way), the classification between assets is carried out at an overall level and not at the level of the individual performance obligation.

Assets deriving from contracts with customers for which revenues are recognised over time are recorded using an input method (cost-to-cost) for measuring progress. According to this method, costs, revenues and margins are recognised on the basis of production progress, determined with reference to the ratio of costs incurred at the measurement date to the total costs expected for the fulfillment of the *performance obligation*.

Conversely, in cases where the requirements for recognition over a period of time are not met, revenues are recognised at a specific point in time; in such cases, production progress under contracts with customers is recognised under assets from point-in-time contracts, within "inventory".

Assets arising from contracts are shown net of any provisions for impairment.

Updates of estimates are made periodically and any economic effects are recognised in the period in which the updates are made. In the event that a contract qualifies as "onerous", the method of accounting is indicated below in this note.

Contracts with fees denominated in currencies other than the functional currency are valued by converting the portion of fees accrued, determined on the basis of the percentage of completion method at the exchange rate in effect at the reporting date. The Group's policy on exchange rate risk requires that all contracts in which cash flows are exposed to exchange rate fluctuations be hedged on a timely basis.

Revenue from maintenance activities, sales of parts, and the provision of services is handled through spot customer orders and are recognised on an accrual basis.

2.2 Government grants

Government grants related to costs incurred during the reporting period are recognised in profit/(loss) for the period as other income when the government grant becomes receivable. Other government grants related to assets recognised in the statement of financial position are initially recognised at fair value as deferred revenue if there is reasonable assurance that they will be received and that the Group will meet the expected conditions for their receipt, and are then recognised in profit/(loss) for the period as other income on a systematic basis over the useful life of the asset to which they relate.

2.3 Recognition of costs

Costs are recognized when they relate to goods and services purchased or consumed during the period or by systematic allocation on an accrual basis.

2.4 Financial income and charges

Interest income and expense are recognised in profit/(loss) for the period on an accrual basis using the effective interest method. Dividend income is recognised when the Group's right to receive payment is established.

The "effective interest rate" corresponds to the rate that exactly discounts estimated future payments or receipts over the expected life of the financial asset: - at the gross carrying amounts of the financial asset; or - at the amortised cost of the financial liability. When calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not impaired) or the amortised cost of the liability. However, in the case of financial assets that have deteriorated after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset ceases to be impaired, interest income reverts to a gross basis.

2.5 Income taxes

Tax expense for the period includes current and deferred taxes recognised in profit/(loss) for the period, except for those related to business combinations or items recognised directly in equity or other comprehensive income. The Group has determined that interest and penalties related to income taxes, including accounting treatments to be applied to income taxes of an uncertain nature, are accounted for in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets as they do not meet the definition of income taxes.

2.6 Current taxes

Current taxes include the estimated amount of income taxes due or to be received, calculated on the taxable income or tax loss for the period as well as any adjustments to taxes from prior periods. The amount of taxes payable or receivable, determined on the basis of tax rates in effect or substantially in effect at the reporting date, also includes the best estimate of any amount payable or receivable that is subject to uncertainty. Current taxes also include any taxes related to dividends. Current tax assets and liabilities are only offset when certain criteria are met.

2.7 Impairment losses

Non-derivative financial instruments

Financial instruments and assets from contracts

The Group recognises allowances for expected credit losses related to:

- financial assets valued at amortised cost;
- debt securities measured at FVOCI;
- assets arising from contracts.

The Group measures expected credit loss allowances at an amount equal to the expected losses over the life of the receivable, except as noted below, for the following twelve months:

- debt securities with low credit risk at the reporting date; and
- other debt securities and bank accounts whose credit risk (i.e., the risk of default arising over the expected life of the financial instrument) has not significantly increased since initial recognition.

Provisions for impairment of trade receivables and assets arising from contracts are always measured at an amount equal to the expected losses over the life of the receivable.

To determine whether the credit risk relating to a financial asset has increased significantly since initial recognition for the purpose of estimating expected credit losses, the Group considers reasonable and demonstrable information that is relevant and available without undue cost or effort. Quantitative and qualitative information and analyses are included, based on the Group's historical experience, credit assessment and forward-looking information. For the Group, the credit risk of a financial asset increases significantly when contractual payments are more than 30 days past due.

Long-term expected credit losses are the expected credit losses resulting from all possible defaults over the expected life of a financial instrument. Expected credit losses at 12 months are expected losses arising from possible defaults within 12 months of the reporting date (or within a shorter period if the expected life of a financial instrument is less than 12 months).

The maximum period to be considered in measuring expected credit losses is the maximum contractual period during which the Group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses ("ECLs") are a probability-weighted estimate of credit losses. Credit losses are the present value of all uncollected receivables (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows the Group expects to receive). ECLs are discounted using the effective interest method of the financial asset.

Impaired financial assets

At each reporting date, the Group assesses whether financial assets measured at amortised cost and debt securities at FVOCI are impaired. A financial asset is "impaired" when one or more events have occurred that negatively impact the estimated future cash flows of the financial asset.

Observable data related to the following events constitute evidence that the financial asset is impaired:

- significant financial difficulties of the issuer or debtor;
- a breach of contract, such as a default or a deadline that has not been met for more than 90 days;
- restructuring of debt or an advance by the Group on terms that the Group would not otherwise have considered;
- there is a likelihood that the debtor will file for bankruptcy or other financial restructuring proceedings;
- the disappearance of an active market for that financial asset due to financial difficulties.

Presentation of the expected credit loss allowance in the statement of financial position

Allowances for impaired financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the expected loss credit allowance is accrued in profit/(loss) for the period and recognised in other comprehensive income.

Write-down

The gross carrying amount of a financial asset is written down (in part or in full) to the extent that there is no real prospect of recovery. For private customers, the Group's policy is to write down the gross carrying amount when the financial asset is more than 180 days past due based on historical experience in recovering similar assets. For corporate customers, the Group individually assesses the timing and amount of impairment based on the actual prospect of recovery. The Group does not expect any significant recovery of the amount written down. However, impaired financial assets may still be subject to enforcement in order to comply with the Group's debt collection procedures.

2.8 Fair value measurement

Fair value is the price that would be received at the measurement date for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators in the principal (or most advantageous) market to which the Group has access at that time. The fair value of a liability reflects the effect of a default risk.

Various accounting standards and certain disclosure requirements require the Group to measure the fair value of financial and non-financial assets and liabilities. Fair values are separated into various hierarchical levels based on the inputs used in the measurement techniques, as discussed below.

- Level 1: Where available, the Group measures the fair value of an instrument using the quoted price of that instrument in an active market. A market is active when transactions related to the asset or liability occur with sufficient frequency and volume to provide useful pricing information on an ongoing basis.
- Level 2: In the absence of a quoted price in an active market, inputs are used that are observable for the asset or liability, either directly (prices) or indirectly (price derivatives).
- Level 3: In the absence of data in Levels 1 and 2, input data related to the asset or liability that is not based on observable market data is used.

The Group uses measurement techniques maximising the use of observable input data and minimising the use of unobservable input data. The chosen measurement technique encompasses all factors that market participants would consider in estimating the transaction price.

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, the entire measurement is placed in the same level of the hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between the various levels of the fair value hierarchy at the end of the period in which the transfer occurred. If an asset or liability measured at fair value has a bid price and a ask price, the Group measures active and long positions at the bid price and passive and short positions at the ask price.

The best evidence of the fair value of a financial instrument at initial recognition is usually the transaction price (i.e., the fair value of the consideration given or received). If the Group notices a difference between the fair value at initial recognition and the transaction price and the fair value is not determined either by using a quoted price in an active market for identical assets or liabilities, or by means of a measurement technique whose unobservable inputs are considered not significant, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, this difference is recognised in profit/(loss) for the period over the life of the instrument using an appropriate method, but no later than when the measurement is fully supported by observable market data or the transaction is completed.

2.9 Foreign currency

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each Group entity at the exchange rate in effect on the date of the transaction.

Monetary elements in foreign currency at the reporting date are converted into the functional currency using the exchange rate on the same date. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates in effect on the date the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the same date of the transaction. Exchange rate differences arising from translation are generally recognised in profit/(loss) for the period under financial expenses.

Foreign transactions

The assets and liabilities of foreign transactions, including goodwill and fair value adjustments arising from the acquisition, are translated into euros, which is the functional currency of the Parent Company and the presentation currency of the consolidated financial statements, using the exchange rate at the reporting date. Revenue and costs of foreign transactions are translated into euros at the average exchange rates for the period.

Exchange rate differences are recognised in other comprehensive income and included in the translation reserve, except for exchange rate differences that are attributed to minority interests.

BALANCE SHEET

The tables below show the balance sheets of OSAI A.S. S.p.A. and the Osai Group at 01/01/2020, 31/12/2020 and 31/12/2021, with the amounts shown in thousands of EUR:

*the values according to Italian accounting principles reclassified according to the IAS/IFRS models:

*adjustments to comply with the IAS/IFRS principles.

Effects of the transition to IAS/IFRS on the consolidated and separate statement of financial position at 01/01/2020

Consolidated situation	01/01/20				
Statement of Financial Position (in Euro 000's)	**Italian accounting standards**	**Transition adjustments**	**Reclassifications**	**Notes**	**IAS/ IFRS**
ASSETS					
NON-CURRENT ASSETS					
- Property, plant and equipment	7,651	4,071	138	1	11,860
- Intangible Assets	3,205	(325)	(138)	2	2,742
- Equity investments	101	-	-		101
- Non-current financial assets	52	(15)	-	3	37
- Other non-current receivables	98	(5)	-	4	93
- Deferred tax assets	55	128	-	5	183
TOTAL NON-CURRENT ASSETS	**11,162**	**3,854**	**-**		**15,016**
CURRENT ASSETS					
- Inventory	15,823	9,068	-	6	24,891
- Trade receivables	11,328	-	-		11,328
- Current tax receivables	997	-	-		997
- Other short-term receivables	372	(3)	-	4	369
- Current financial assets	1,020	13	-	3	1,033
- Cash and cash equivalents	1,830	-	-		1,830
TOTAL CURRENT ASSETS	**31,370**	**9,078**	**-**		**40,448**
TOTAL ASSETS	**42,532**	**12,932**	**-**		**55,464**
LIABILITIES					
SHAREHOLDERS' EQUITY					
- Share capital	1,000	-	-		1,000
- Share premium reserve	-	-	-		-
- Legal Reserve	200	-	-		200
- Reserve for unrealised foreign currency exchange gains	8	-	-		8
- Cash Flow Hedge reserve	(40)	-	-		(40)
- FTA reserve	-	(1,683)	-		(1,683)
- Other components of shareholders' equity	-	(2)	-	7	(2)
- Conversion reserve	(3)	(20)	-		(23)
- Retained earnings/(losses) carried forward	3,810	(33)	-		3,777
- Profit (loss) for the period	1,891	-	-		1,891
TOTAL SHAREHOLDERS' EQUITY	**6,866**	**(1,738)**	**-**		**5,128**
Shareholders' Equity of parent company shareholders	**6,866**	**(1,738)**	**-**		**5,128**
Shareholders' Equity of non-controlling interests	**-**	**-**	**-**		**-**
NON-CURRENT LIABILITIES					
- Long-term borrowings	6,253	-	-		6,253
- Employee benefits	2,200	499	-	8	2,699
- Other non-current payables	353	(234)	-	9	119
- Deferred tax liabilities	17	(11)	-		6
- Other non-current financial liabilities	729	9	-	10	738
- Payables non current under IFRS16	551	3,585	-	11	4,136
TOTAL NON-CURRENT LIABILITIES	**10,103**	**3,848**	**-**		**13,951**
CURRENT LIABILITIES					
- Short-term borrowings	9,260	-	-		9,260
- Other current financial liabilities	3,388	3	-	10	3,391
- Trade payables	4,733	-	-		4,733
- Current taxes payable	680	-	-		680
- Other current payables	7,297	10,278	-	6 - 9	17,575
- Provisions for risks and charges	-	-	-		-
- Payables current under IFRS16	205	541	-	11	746
TOTAL CURRENT LIABILITIES	**25,563**	**10,822**	**-**		**36,385**
TOTAL LIABILITIES	**42,532**	**12,932**	**-**		**55,464**

Separate situation	01/01/20				
Statement of Financial Position (in Euro 000's)	**Italian accounting standards**	**Transition adjustments**	**Reclassifications**	**Notes**	**IAS/IFRS**
ASSETS					
NON-CURRENT ASSETS					
- Property, plant and equipment	6,516	5,167	138	1	11,821
- Intangible Assets	2,887	(7)	(138)	2	2,742
- Equity investments	1,108	-	-		1,108
- Non-current financial assets	52	(15)	-	3	37
- Other non-current receivables	300	(207)	-	4	93
- Deferred tax assets	51	128	-	5	179
TOTAL NON-CURRENT ASSETS	**10,914**	**5,066**	**-**		**15,980**
CURRENT ASSETS					
- Inventory	14,980	9,752	-	6	24,732
- Trade receivables	11,534	-	-		11,534
- Current tax receivables	997	-	-		997
- Other short-term receivables	433	(87)	-	4	346
- Current financial assets	1,020	13	-	3	1,033
- Cash and cash equivalents	1,483	-	-		1,483
TOTAL CURRENT ASSETS	**30,447**	**9,678**	**-**		**40,125**
TOTAL ASSETS	**41,361**	**14,744**	**-**		**56,105**
LIABILITIES					
SHAREHOLDERS' EQUITY					
- Share capital	1,000	-	-		1,000
- Share premium reserve	-	-	-		-
- Legal Reserve	200	-	-		200
- Reserve for unrealised foreign currency exchange gains	8	-	-		8
- Cash Flow Hedge reserve	(40)	-	-		(40)
- FTA reserve	-	(1,296)	-		(1,296)
- Other components of shareholders' equity	-	(2)	-	7	(2)
- Retained earnings/(losses) carried forward	4,189	-	-		4,189
- Profit (loss) for the period	1,902	-	-		1,902
TOTAL SHAREHOLDERS' EQUITY	7,259	(1,298)	-		5,961
NON-CURRENT LIABILITIES					
- Long-term borrowings	6,253	-	-		6,253
- Employee benefits	2,200	499	-	8	2,699
- Other non-current payables	353	(234)	-	9	119
- Deferred tax liabilities	3	3	-		6
- Other non-current financial liabilities	729	9	-	10	738
- Payables non current under IFRS16	-	4,136	-	11	4,136
TOTAL NON-CURRENT LIABILITIES	**9,538**	**4,413**	**-**		**13,951**
CURRENT LIABILITIES					
- Short-term borrowings	9,256	-	-		9,256
- Other current financial liabilities	3,388	3	-	10	3,391
- Trade payables	4,882	-	-		4,882
- Current taxes payable	657	-	-		657
- Other current payables	6,381	10,882	-	6 - 9	17,263
- Provisions for risks and charges	-	-	-		-
- Payables current under IFRS16	-	744	-	11	744
TOTAL CURRENT LIABILITIES	24,564	11,629	-		36,193
TOTAL LIABILITIES	**34,102**	**16,042**	**-**		**50,144**
TOTAL LIABILITIES	**41,361**	**14,744**	**-**		**56,105**

Effects of the transition to IAS/IFRS on the consolidated and separate statement of financial position at 31/12/2020

Consolidated situation	31/12/20				
Statement of Financial Position (in Euro 000's)	**Italian accounting standards**	**Transition adjustments**	**Reclassifications**	**Notes**	**IAS/IFRS**
ASSETS					
NON-CURRENT ASSETS					
- Property, plant and equipment	8,050	3,176	149	1	11,375
- Intangible Assets	3,943	(920)	(149)	2	2,874
- Equity investments	101	-	-		101
- Non-current financial assets	52	(19)	-	3	33
- Other non-current receivables	290	(2)	-	4	288
- Deferred tax assets	131	411	-	5	542
TOTAL NON-CURRENT ASSETS	**12,567**	**2,646**	**-**		**15,213**
CURRENT ASSETS					
- Inventory	13,858	18,388	-	6	32,246
- Trade receivables	9,683	-	-		9,683
- Current tax receivables	559	-	-		559
- Other short-term receivables	637	(16)	-	4	621
- Current financial assets	1,200	32	-	3	1,232
- Cash and cash equivalents	4,720	-	-		4,720
TOTAL CURRENT ASSETS	**30,657**	**18,404**	**-**		**49,061**
TOTAL ASSETS	**43,224**	**21,050**	**-**		**64,274**
LIABILITIES					
SHAREHOLDERS' EQUITY					
- Share capital	1,400	-	-		1,400
- Share premium reserve	5,600	(813)	-		4,787
- Legal Reserve	200	-	-		200
- Reserve for unrealised foreign currency exchange gains	-	-	-		-
- Cash Flow Hedge reserve	(24)	-	-		(24)
- FTA reserve	-	(1,683)	-		(1,683)
- Other components of shareholders' equity	-	(48)	-	7	(48)
- Conversion reserve	(25)	(23)	-		(48)
- Retained earnings/(losses) carried forward	5,708	(28)	-		5,680
- Profit (loss) for the period	347	616	-		963
TOTAL SHAREHOLDERS' EQUITY	**13,206**	**(1,979)**	**-**	**7**	**11,227**
Shareholders' Equity of parent company shareholders	**13,206**	**(1,979)**	**-**	**7**	**11,227**
Shareholders' Equity of non-controlling interests	**-**	**-**	**-**	**0**	**-**
NON-CURRENT LIABILITIES					
- Long-term borrowings	10,928	-	-		10,928
- Employee benefits	2,501	583	-	8	3,084
- Other non-current payables	172	(172)	-	9	-
- Deferred tax liabilities	174	(12)	-		162
- Other non-current financial liabilities	385	5	-	10	390
- Payables non current under IFRS16	594	3,301	-	11	3,895
TOTAL NON-CURRENT LIABILITIES	**14,754**	**3,705**	**-**		**18,459**
CURRENT LIABILITIES					
- Short-term borrowings	5,074	-	-		5,074
- Other current financial liabilities	324	4	-	10	328
- Trade payables	4,961	-	-		4,961
- Current taxes payable	356	-	-		356
- Other current payables	4,149	18,677	-	6 - 9	22,826
- Provisions for risks and charges	289	-	-		289
- Payables current under IFRS16	111	643	-	11	754
TOTAL CURRENT LIABILITIES	**15,264**	**19,324**	**-**		**34,588**
TOTAL LIABILITIES	**43,224**	**21,050**	**-**		**64,274**

Separate situation	31/12/20				
Statement of Financial Position (in Euro 000's)	**Italian accounting standards**	**Transition adjustments**	**Reclassifications**	**Notes**	**IAS/IFRS**
ASSETS					
NON-CURRENT ASSETS					
- Property, plant and equipment	7,120	4,071	149	1	11,340
- Intangible Assets	3,840	(817)	(149)	2	2,874
- Equity investments	908	-	-		908
- Non-current financial assets	52	(19)	-	3	33
- Other non-current receivables	455	(167)	-	4	288
- Deferred tax assets	127	411	-	5	538
TOTAL NON-CURRENT ASSETS	**12,502**	**3,479**	**-**		**15,981**
CURRENT ASSETS					
- Inventory	13,903	18,388	-	6	32,291
- Trade receivables	9,772	-	-		9,772
- Current tax receivables	553	-	-		553
- Other short-term receivables	693	(75)	-	4	618
- Current financial assets	1,200	32	-	3	1,232
- Cash and cash equivalents	4,257	-	-		4,257
TOTAL CURRENT ASSETS	**30,378**	**18,345**	**-**		**48,723**
TOTAL ASSETS	**42,880**	**21,824**	**-**		**64,704**
LIABILITIES					
SHAREHOLDERS' EQUITY					
- Share capital	1,400	-	-		1,400
- Share premium reserve	5,600	(813)	-	2	4,787
- Legal Reserve	200	-	-		200
- Reserve for unrealised foreign currency exchange gains	-	-	-		-
- Cash Flow Hedge reserve	(24)	-	-		(24)
- FTA reserve	-	(1,296)	-		(1,296)
- Other components of shareholders' equity	-	(48)	-	7	(48)
- Retained earnings/(losses) carried forward	6,099	-	-		6,099
- Profit (loss) for the period	255	361	-		616
TOTAL SHAREHOLDERS' EQUITY	13,530	(1,796)	-		11,734
NON-CURRENT LIABILITIES					
- Long-term borrowings	10,928	-	-		10,928
- Employee benefits	2,501	583	-	8	3,084
- Other non-current payables	172	(172)	-	9	-
- Deferred tax liabilities	154	8	-		162
- Other non-current financial liabilities	385	5	-	10	390
- Payables non current under IFRS16	-	3,895	-	11	3,895
TOTAL NON-CURRENT LIABILITIES	**14,140**	**4,319**	**-**		**18,459**
CURRENT LIABILITIES					
- Short-term borrowings	5,074	-	-		5,074
- Other current financial liabilities	324	4	-	10	328
- Trade payables	4,996	-	-		4,996
- Current taxes payable	350	-	-		350
- Other current payables	4,177	18,543	-	6 - 9	22,720
- Provisions for risks and charges	289	-	-		289
- Payables current under IFRS16	-	754	-	11	754
TOTAL CURRENT LIABILITIES	15,210	19,301	-		34,511
TOTAL LIABILITIES	**29,350**	**23,620**	**-**		**52,970**
TOTAL LIABILITIES	**42,880**	**21,824**	**-**		**64,704**

Effects of the transition to IAS/IFRS on the consolidated and separate statement of financial position at 31/12/2021

Consolidated situation

Statement of Financial Position (in Euro 000's)	31/12/21 Italian accounting standards	Transition adjustments	Reclassifications	Notes	IAS/IFRS
ASSETS					
NON-CURRENT ASSETS					
- Property, plant and equipment	8,665	2,785	172	1	11,622
- Intangible Assets	4,441	(885)	(172)	2	3,384
- Equity investments	126	-	-		126
- Non-current financial assets	52	(4)	-	3	48
- Other non-current receivables	517	(1)	-	4	516
- Deferred tax assets	370	459	-	5	829
TOTAL NON-CURRENT ASSETS	**14,171**	**2,354**	**-**		**16,525**
CURRENT ASSETS					
- Inventory	16,343	6,116	-	6	22,459
- Trade receivables	11,566	-	-		11,566
- Current tax receivables	801	-	-		801
- Other short-term receivables	867	(144)	-	4	723
- Current financial assets	1,380	44	-	3	1,424
- Cash and cash equivalents	9,179	-	-		9,179
TOTAL CURRENT ASSETS	**40,136**	**6,016**	**-**		**46,152**
TOTAL ASSETS	**54,307**	**8,370**	**-**		**62,677**
LIABILITIES					
SHAREHOLDERS' EQUITY					
- Share capital	1,599	-	-		1,599
- Share premium reserve	9,426	(998)	-		8,428
- Legal Reserve	213	-	-		213
- Reserve for unrealised foreign currency exchange gains	-	-	-		-
- Cash Flow Hedge reserve	-	-	-		-
- FTA reserve	-	(1,683)	-		(1,683)
- Other components of shareholders' equity	-	(159)	-	7	(159)
- Conversion reserve	(4)	-	-		(4)
- Retained earnings/(losses) carried forward	6,063	563	-		6,626
- Profit (loss) for the period	794	112	-		906
TOTAL SHAREHOLDERS' EQUITY	**18,091**	**(2,165)**	**-**	**7**	**15,926**
Shareholders' Equity of parent company shareholders	**18,091**	**(2,165)**	**-**	**7**	**15,926**
Shareholders' Equity of non-controlling interests	**-**	**-**			**-**
NON-CURRENT LIABILITIES					
- Long-term borrowings	11,239	-	-		11,239
- Employee benefits	2,780	699	-	8	3,479
- Other non-current payables	200	(200)	-	9	-
- Deferred tax liabilities	11	6	-		17
- Other non-current financial liabilities	(5)	5	-	10	-
- Payables non current under IFRS16	42	2,805	-	11	2,847
TOTAL NON-CURRENT LIABILITIES	**14,267**	**3,315**	**-**		**17,582**
CURRENT LIABILITIES					
- Short-term borrowings	6,572	-	-		6,572
- Other current financial liabilities	354	4	-	10	358
- Trade payables	6,158	-	-		6,158
- Current taxes payable	377	-	-		377
- Other current payables	8,066	6,519	-	6 - 9	14,585
- Provisions for risks and charges	422	-	-		422
- Payables current under IFRS16	-	697	-	11	697
TOTAL CURRENT LIABILITIES	**21,949**	**7,220**	**-**		**29,169**
TOTAL LIABILITIES	**54,307**	**8,370**	**-**		**62,677**

Separate situation	31/12/21				
Statement of Financial Position (in Euro 000's)	**Italian accounting standards**	**Transition adjustments**	**Reclassifications**	**Notes**	**IAS/ IFRS**
ASSETS					
NON-CURRENT ASSETS					
- Property, plant and equipment	8,598	2,821	172	1	11,591
- Intangible Assets	4,355	(799)	(172)	2	3,384
- Equity investments	933	-	-		933
- Non-current financial assets	52	(4)	-	3	48
- Other non-current receivables	517	(1)	-	4	516
- Deferred tax assets	365	458	-	5	823
TOTAL NON-CURRENT ASSETS	**14,820**	**2,475**	**-**		**17,295**
CURRENT ASSETS					
- Inventory	16,389	6,115	-	6	22,504
- Trade receivables	11,461	-	-		11,461
- Current tax receivables	795	-	-		795
- Other short-term receivables	730	(24)	-	4	706
- Current financial assets	1,380	44	-	3	1,424
- Cash and cash equivalents	9,040	-	-		9,040
TOTAL CURRENT ASSETS	**39,795**	**6,135**	**-**		**45,930**
TOTAL ASSETS	**54,615**	**8,610**	**-**		**63,225**
LIABILITIES					
SHAREHOLDERS' EQUITY					
- Share capital	1,599	-	-		1,599
- Share premium reserve	9,426	(998)	-	2	8,428
- Legal Reserve	213	-	-		213
- Reserve for unrealised foreign currency exchange gains	-	-	-		-
- Cash Flow Hedge reserve	-	-	-		-
- FTA reserve	-	(1,296)	-		(1,296)
- Other components of shareholders' equity	-	(159)	-	7	(159)
- Retained earnings/(losses) carried forward	6,342	361	-		6,703
- Profit (loss) for the period	850	28	-		878
TOTAL SHAREHOLDERS' EQUITY	18,430	(2,064)	-		16,366
NON-CURRENT LIABILITIES					
- Long-term borrowings	11,239	-	-		11,239
- Employee benefits	2,780	699	-	8	3,479
- Other non-current payables	200	(200)	-	9	-
- Deferred tax liabilities	7	10	-		17
- Other non-current financial liabilities	(5)	5	-	10	-
- Payables non current under IFRS16	-	2,847	-	11	2,847
TOTAL NON-CURRENT LIABILITIES	**14,221**	**3,361**	**-**		**17,582**
CURRENT LIABILITIES					
- Short-term borrowings	6,572	-	-		6,572
- Other current financial liabilities	354	4	-	10	358
- Trade payables	6,343	-	-		6,343
- Current taxes payable	376	-	-		376
- Other current payables	7,897	6,612	-	6 - 9	14,509
- Provisions for risks and charges	422	-	-		422
- Payables current under IFRS16	-	697	-	11	697
TOTAL CURRENT LIABILITIES	21,964	7,313	-		29,277
TOTAL LIABILITIES	**36,185**	**10,674**	**-**		**46,859**
TOTAL LIABILITIES	**54,615**	**8,610**	**-**		**63,225**

NOTES

1. Property, plant and equipment

According to IAS/IFRS, expenses for "leasehold improvements" should not be entered under "intangible fixed assets", as required by the Italian national accounting standards OIC, but should be capitalized on the asset on which the improvements are carried out. This way, the amounts relating to leasehold improvements are reclassified from "intangible fixed assets" to "property, plant and equipment". The value of the reclassification at 01/01/2020 is equal to the historical cost of leasehold improvements amounting to Euro 317 thousand, net of accumulated depreciation on leasehold improvements of Euro 179 thousand, for a total of Euro 138 thousand. At 31/12/2020 the value of reclassifications rises to Euro 149 thousand due to new improvements made during the year on leased buildings for Euro 11 thousand. During the reporting period 2021, total reclassifications increased to Euro 172 thousand. Subsequent to the reclassification required by IAS/IFRS, leasehold improvements follow the depreciation schedule for the asset under which they were capitalised.

Value adjustments to "property, plant and equipment" derive from the following changes imposed by IAS/IFRS:

- Application of IFRS 16 on leased assets: Assets acquired through leases are initially recognised at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. This resulted in a value of Euro 5,166 thousand being recorded under "property, plant and equipment" at 01/01/2020. At 31/12/2020 the impact of the application of IFRS 16 amounted to Euro 4,730 thousand, whilst in 2021 the total impact was Euro 2,821 thousand. At consolidated level, the impact is reduced as a portion of tangible fixed assets was recorded through IAS 17, and relates to plant and machinery used for demonstrations and exhibitions. At the level of consolidated first-time adoption, the transition between the two accounting standards is recorded for these assets, which is substantiated by the change in the date of first adoption. The reversal of the values recorded under IAS 17 results in a reduction in value at 1 January 2020 of Euro 1,096 thousand equal to the net carrying amount of plant and machinery now recorded under IFRS 16 at the level of the separate financial statements of OSAI A.S. S.p.A. As the net carrying amount decreases, the effect of the reversal of the amounts recorded in the Consolidated Financial Statements in accordance with IAS 17 gradually decreases;

- Different calculation of depreciation required by IAS 16: The international accounting standard IAS 16 indicates as the start of the depreciation period "when the asset is available for use" and does not provide for the use of the half rate in the reporting period in which the asset is available, a practice permitted by national accounting standards and used by the entity until 31/12/2020. Based on the calculation of "property, plant and equipment" with depreciation beginning when the asset is available for use, the change in value was Euro 1 thousand at 01/01/2020 and Euro 4 thousand at 31/12/2020. The effect of applying a different time frame for amortisation results in higher amortisation of Euro 51 thousand in 2021;

- Different calculation of depreciation required by IFRS 16: Application of IFRS 16 to leased assets and leasehold improvements results in a different calculation of depreciation, as the useful life of the improvements is spread over the duration of the contract. In addition to the above reclassification of leasehold improvements, within the same item, "Property, plant and equipment", the net carrying amount of the related plant and equipment costs are also capitalised on leased buildings. The net carrying amount capitalised above leased buildings at 01/01/2020 was Euro 668 thousand and capitalisations during the reporting period 2020 totaled Euro 11 thousand. The different calculation of depreciation relating to plant related to leased buildings and improvements resulted in a reduction in depreciation for reporting period 2020 of Euro 35 thousand and a consequent increase in "Property, plant and equipment" of the same amount;

- Non-suspension of depreciation: during reporting period 2020, the Parent Company took advantage of the option offered by Article 60 of Decree-Law No. 104 of 14 August 2020, which permitted the suspension of depreciation. The option is not, however, permitted for parties who use international accounting standards. The reversal of depreciation for the reporting year 2020 resulted in a reduction in value at 31/12/2020 of Euro 663 thousand;

For the Consolidated Financial Statements, in addition to the effects highlighted above relating to the transition from IAS 17 to IFRS 16, no other significant adjustments were recorded.

2. Intangible fixed assets

The reclassification present at 01/01/2020, amounting to Euro 138 thousand, and at 31/12/2020, amounting to Euro 149 thousand, refers, as already indicated in the previous point, to the capitalisation of the net carrying amount at 01/01/2020 and the new capitalisation at 31/12/2020 of the amounts relating to leasehold improvements. Reclassification recorded these values on leased buildings under "property, plant and equipment". In reporting period 2021, reclassification amounted to Euro 172 thousand.

Value adjustments relating to the application of international accounting standards concern two types of measures:

- Different calculation of amortisation required by IAS 38: The international accounting standard IAS 38 indicates as the start of the amortisation period "when the asset is available for use" and does not provide for the use of the full rate in the reporting period in which the asset is available, a practice used in the application of national accounting standards. Based on the calculation of "intangible fixed assets" with amortisation beginning when the asset is available for use, the increase in value amounted to Euro 10 thousand at 01/01/2020 and Euro 3 thousand at 31/12/2020;

- Different capitalisation criteria required by IAS 38: According to IAS 38, "start-up and expansion costs" and "other deferred charges" may not be capitalised. This results in the reversal of amounts relating to "other deferred charges" at 01/01/2020 for a net carrying amount of Euro 16 thousand with an impact on the FTA (First Time Adoption) reserve. At 31/12/2020, the failure to record "other deferred charges" resulted in a reduction due to failure to capitalise of Euro 9 thousand and an increase due to lower amortisation of Euro 13 thousand. Also in 2020, costs relating to the listing of Euro 1,046 thousand were capitalised and amortised at Euro 209 thousand. The impact of the non-recognition of the following amounts resulted in a reduction in "intangible fixed assets" of Euro 837 thousand, equal to the net carrying amount at 31/12/2021; this amount reduced the share premium reserve arising from the capital increase following the IPO.

In the Consolidated Financial Statements, the reversal of the consolidation difference arising from the consolidation of the three subsidiaries should be noted. The reversal derives from the fact that for international accounting standards the amounts entered as goodwill, in this precise circumstance, are seen as losses relating to previous periods. The impact of the reversal of goodwill impacts "retained earnings/ (losses carried forward)". The impact for the statement of financial position at 1 January 2020 was Euro 319 thousand. At 31 December 2020, the amount of the reversal was Euro 104 thousand and at December 2021 it was Euro 85 thousand.

3. Financial assets

The adjustments made to financial assets concern the application of international accounting standard IFRS 9, which requires financial instruments to be measured at their Fair Value. As required by Italian accounting standards, the amounts posted to the financial statements of the Group and the Parent Company are measured at their purchase cost, unless there has been a permanent loss of value. At 01/01/2020, their recognition at fair value resulted an overall write-down of Euro 2 thousand, including Euro 15 thousand for the write-down of securities classified among "Non-current financial assets" and Euro 13 thousand for the revaluation of securities classified among "Current financial assets". Differences brought about by the revaluation of financial asset amounts are recorded in the FTA Reserve. At 31/12/2020, changes in non-current financial assets reduced the related value by Euro 4 thousand, resulting in a total change of Euro 19 thousand with respect to the OIC national accounting standards. For the current portion of financial assets, the change at 31/12/2020 was positive and entailed an additional revaluation of Euro 19 thousand.

4. Other receivables

Adjustments related to "Other receivables" resulted from accounting for leased assets according to IFRS 16. Under OIC national accounting standards, when the initial balloon payment was paid, the Company recorded prepaid expenses to spread the expense over the duration of the contract. With accounting under IFRS, the residual amount of prepaid expenses at 01/01/2020, and those generated in subsequent periods due to the entry of new assets, should be capitalised and the amount amortised over the life of the contract.

The above adjustments resulted in a total reduction in "Other receivables" of Euro 294 thousand at 01/01/2020, including Euro 207 thousand for the non-current portion and Euro 87 thousand for the current portion. At 31/12/2020 the adjustment amounted to Euro 167 thousand for the non-current portion and Euro 75 thousand for the current portion.

At consolidated level, again due to the transition from IAS 17 to IFRS 16, there was a lesser impact as at OIC consolidated level there are no prepaid expenses which are reversed with the transition at separate level.

5. Deferred tax assets

According to OIC accounting standards, an entity recognises deferred tax assets when it is "reasonably certain" that they will be recovered. According to international accounting standards, recognition is permitted when there is a "probability" of the related recovery.

The increases in deferred tax assets under FTA at 01/012020 and 31/12/2020, amounting to Euro 128 thousand and Euro 411 thousand, respectively, whilst in 2021 the overall impact was Euro 458 thousand. essentially depend on changes in other items recorded in accordance with international accounting standards, and in particular, as a result of the adoption of IAS 19 for the recognition of employee benefits, the recognition of financial assets at fair value and the indication of expenses relating to the listing as a reduction in the share premium reserve, in place of the previous capitalisation among intangible fixed assets.

6. Inventories

The adjustments relating to "Inventories" concern the application of IFRS 15, which requires that revenue from contracts with customers be posted when the performance obligation indicated in the contract is fulfilled. OIC national accounting standards allowed contracts with customers to be divided into multiple performance obligations. This allowed for different times when Revenue Recognition was performed, typically at the delivery of the Design Review (if any) and at the delivery of the plant.

Under IFRS 15, revenue from sales are recognised only when the Company's performance obligation is satisfied. The only performance obligation recognised for IFRS 15 within the Company's sales contracts is the installation of the plant (unless otherwise stated). Prior to the satisfaction of the performance obligation, the activities carried out are indicated in assets under "Inventories" recorded using the cost-to-cost method including the contract margin allocated to the stage of completion. Amounts received as compensation, previously recorded as revenue from sales, with the application of the new standards, until the obligation is satisfied, are recorded under "Other current payables" as advances from customers.

Changes due to the different Revenue Recognition imposed by international accounting standards led to an increase in "Inventories" of Euro 9,752 thousand 01/01/2020, with a corresponding increase in "Other current liabilities" of Euro 10,970 thousand. The difference between the two amounts was recorded in the FTA Reserve in the amount of Euro 1,218 thousand. At 31/12/2020, the entries relating to the application of IFRS 15 resulted in a higher measurement of "Inventories" totaling Euro 18,388 thousand and an increase in "Other current payables" of Euro 7,790 thousand compared with the previous period, due to a total adjustment of Euro 18,760 thousand in advances from clients. The difference resulting from the different recognition of revenue from sales adjusted the operating profit for 2020.

Due to the application of IFRS 15 in the Consolidated Financial Statements in view of the new Revenue Recognition imposed by the standard, contract work in progress was recorded, for contracts recorded in revenue in 2019, for Euro 684 thousand. The impact of this entry involved the recording of advances from customers of Euro 615 thousand and a reduction in the FTA reserve for the margin applied to the intercompany contract of Euro 68 thousand.

7. Shareholders' equity

The FTA reserve consisted of all adjustments made by the IAS/IFRS transition that impacted the financial statements at 01/01/2020. They can be reconstructed as follows:

- Impact of the different Revenue Recognition required by IFRS 15 for Euro 1,218 thousand as a reduction in the reserve;
- Application of IAS 19 to calculate employee benefits, with reference to the Company's post-employment benefits provision, amounting to Euro 498 thousand before deferred tax assets and Euro 379 thousand net of deferred tax liabilities as a reduction in the reserve;
- Application of IAS 38 for the capitalisation of amounts relating to intangible fixed assets and their amortisation for Euro 6 thousand as a reduction in the reserve;
- Application of IAS 16 for the capitalisation of amounts relating to tangible fixed assets and their depreciation for Euro 1 thousand as a reduction in the reserve;
- Application of IFRS 16 for leased assets, resulting in the reversal of deferred income totaling Euro 291 thousand to increase the reserve. Reversal of accrued expenses to increase the reserve by Euro 11 thousand;
- Application of IFRS 9 to bonds, which entails measuring borrowings at amortised cost, resulting in a reduction of Euro 1 thousand in the reserve;
- Impact of deferred taxation on transition net of transactions already identified amounting to Euro 5 thousand.

In the Consolidated Financial Statements we recorded a different "FTA Reserve" due to the following components:

- elimination of goodwill generated by consolidation of the three subsidiaries, resulting in an adjustment to intangible fixed assets of Euro 319 thousand and a consequent reduction in the "FTA Reserve";

- write-off of the intercompany contract margin with OSAI Gmbh for Euro 68 thousand due to the different Revenue Recognition required by the application of IFRS 15.

In "Other components of Shareholders' Equity", the adjustments refer to changes in "other components of the comprehensive income statement". They therefore derive from the fair value measurement of securities and actuarial gains and losses from the application of IAS 19 for employee benefits.

8. Employee benefits

The application of IAS 19 requires the use of methods for calculating the liability deriving from employee benefits. In the case under consideration, the benefits relate to severance pay. IAS 19 requires not only the discounting of the employee benefit liability but also the actuarial calculation to take into account life expectancy.

The application of this method of calculation resulted in an increase in the provision for post-employment benefits of Euro 499 thousand at 01/01/2020, offset in part by the FTA reserve (Euro 379 thousand) and deferred tax assets (Euro 120 thousand). At 31/12/2020, the overall impact of the application of IAS 19 amounted to Euro 583 thousand. The difference from 01/01/2020 was given by:

- Lower provision for reporting period 2020 of Euro 20 thousand;
- Financial expense deriving from discounting amounting to Euro 21 thousand;
- Value of provisions used lower by Euro 3 thousand again due to discounting;
- Actuarial losses of Euro 76 thousand.

Please refer to the notes to the financial statements for the reporting period 2021 records.

9. Other payables

There are three types of change related to "Other Payables". The first relates, as indicated above in item 6 for inventories, to advances from customers recorded under "Other Payables" as required by IFRS 15. See item 6 for more details.

The second concerns the application of IFRS 16 for leased assets. During reporting period 2019, the Parent Company sold equipment on a lease-back basis that was subsequently used as demo equipment. Their transfer to the leasing company generated a capital gain, which, as required by the OIC national accounting standards, has been deferred over the duration of the leasing contract. According to IAS/IFRS standards, the sale generated revenue which must be recorded in the reporting report in which the sale took place. Therefore, at 01/01/2020, the reversal of deferred income still existing amounting to Euro 291 thousand was recorded with an offsetting entry to the FTA Reserve. Deferred income reversed as a result of the application of IFRS 16 included Euro 234 thousand relating to the non-current portion and Euro 57 thousand relating to the current portion. At 31/12/2020 the impact was Euro 95 thousand with a reduction in accrued expenses always due to the effect of the different Revenue Recognition of Lease-Back revenues, and an increase of Euro 61 thousand for revenue from sales that would have been accrued with the application of OIC national accounting standards.

The third type concerns the reversal of accrued interest expense arising from the bond issue. The application of amortised cost as required by IFRS 9 led to the reversal of Euro 16 thousand in accrued interest. At 31/12/2020, the reversal of accrued interest expense amounted to Euro 32 thousand.

At 31/12/2021, deferred income relating to fixed assets for which IFRS 16 has been applied was reversed for Euro 200 thousand. The impact on current accrued expenses and deferred income amounted to Euro 149 thousand.

10. Other financial liabilities

The adjustments relating to other financial liabilities concern the application of amortised cost to the bond loan, which was recorded at the nominal value of the debt in accordance with national OIC accounting standards. At 01/01/2020 the accounting treatment using IFRS 9 resulted in a reduction of Euro 3 thousand in payables for bonds falling due within 12 months and Euro 9 thousand in non-current liabilities. At 31/12/2020, the adjustment was equal to Euro 4 thousand for the current portion of the debt and Euro 5 thousand for the non-current portion.

11. Payables for leasing

The application of IFRS 16 to lease agreements entails discounting the debt deriving from the payment of lease instalments and recording the Fair Value or Right of Use of the leased assets under fixed assets. The discounting was carried out using the simplified method, thus starting the application of the accounting standard not from the beginning of the contracts, but from the date of first adoption of the IFRS (01/01/2020). The use of the simplified method did not therefore cause any intervention on the FTA Reserve except for the part relating to Lease-Backs (see point 9).

The adjustment entailed recognition of a total of Euro 4,880 thousand in financial payables at 01/01/2020, broken down into Euro 4,136 thousand for the non-current portion and Euro 744 thousand for the current portion. The impact at 31/12/2020 saw medium/long-term lease payables totaling Euro 3,895 thousand and the current portion Euro 754 thousand. At 31 December 2021, current IFRS 16 payables amounted to Euro 697 thousand and non-current payables to Euro 2,847 thousand.

For the Consolidated Financial Statements, the changes for the recognition of financial liabilities under IFRS 16 are lower due to the fact that part of the tangible fixed assets under lease were already recognised under IAS 17. Payables recorded at 1 January 2020 with IAS 17 amounted to Euro 551 thousand for the non-current portion and Euro 203 thousand for the current portion. At December 2020 the value of non-current payables accounted for in accordance with IAS 17 amounted to Euro 594 thousand and the current portion to Euro 111 thousand. These values were written off to be replaced by the amounts accounted for under IFRS 16 for the same assets.

Effects of the transition to IAS/IFRS on the consolidated and separate economic situation at 31/12/2020

Consolidated situation	31/12/20				
Consolidated Income Statement (in Euro 000's)	**Italian accounting standards**	**Transition adjustments**	**Reclassifications**	**Notes**	**IAS/ IFRS**
- Total sales	**31,944**	**(8,480)**	**-**	**1**	**23,464**
- Change in finished goods and W.I.P. stock	(2,049)	9,320	-	2	7,271
- Other operating revenues	2,418	(1)	-		2,417
VALUE OF PRODUCTION	32,313	839	-		33,152
- Product cost (raw materials and outsourcing)	(12,823)	-			(12,823)
Gross Margin	**19,490**	**839**	**-**		**20,329**
- Personnel expenses	(11,934)	12		3	(11,922)
- Other operating costs	(4,499)	664		3	(3,835)
EBITDA	**3,057**	**1,515**	**-**		**4,572**
- Writedowns, depreciation and amortisation	(1,872)	(879)		4	(2,751)
Operating income of ordinary operations	**1,185**	**636**	**-**		**1,821**
- Non-recurring expenses/(charges)	-	-	-		-
EBIT	**1,185**	**636**	**-**		**1,821**
- Financial Income/(Expenses)	(760)	(54)		5	(814)
EBT	**425**	**582**	**-**		**1,007**
- Income taxes	(81)	37		6	(44)
Net profit/(loss) for the period	**344**	**619**	**-**		**963**
of which attributable to parent company shareholders	344	619			963
of which attributable to non-controlling interests	-	-	-		-

Separate situation	31/12/20				
Income Statement (In Euro 000's)	**Italian accounting standards**	**Transition adjustments**	**Reclassifications**	**Notes**	**IAS/IFRS**
- Total sales	**31,012**	**(7,851)**	**-**	**1**	**23,161**
- Change in finished goods and W.I.P. stock	(1,216)	8,636	-	1	7,420
- Other operating revenues	2,417	-	-		2,417
VALUE OF PRODUCTION	**32,213**	**785**	**-**		**32,998**
- Product cost (raw materials and outsourcing)	(12,816)	-	-		(12,816)
Gross Margin	**19,397**	**785**	**-**		**20,182**
- Personnel expenses	(11,797)	12	-	2	(11,785)
- Other operating costs	(4,900)	912	-	3	(3,988)
EBITDA	**2,700**	**1,709**	**-**		**4,409**
- Writedowns, depreciation and amortisation	(1,447)	(1,297)	-	4	(2,744)
Operating income of ordinary operations	1,253	412	-		1,665
- Non-recurring expenses/(charges)	(200)	-	-		(200)
EBIT	**1,053**	**412**	**-**		**1,465**
- Financial Income/(Expenses)	(728)	(82)	-	5	(810)
EBT	**325**	**330**	**-**		**655**
- Income taxes	(70)	31	-	6	(39)
Net profit/(loss) for the period	**255**	**361**	**-**		**616**

STATEMENT OF COMPREHENSIVE INCOME

Below are the income statement tables of OSAI A.S. S.p.A. at 31/12/2020, with the amounts shown in thousands of EUR:

*the values according to Italian accounting principles reclassified according to the IAS/IFRS models:

*adjustments to comply with the IAS/IFRS principles.

Effects of the transition to IAS/IFRS on the consolidated and separate economic situation at 31/12/2021

Consolidated situation	31/12/21				
Consolidated Income Statement (in Euro 000's)	**Italian accounting standards**	**Transition adjustments**	**Reclassifications**	**Notes**	**IAS/ IFRS**
- Total sales	**27,587**	**11,240**	**-**	**1**	**38,827**
- Change in finished goods and W.I.P. stock	1,835	(11,760)	-	2	(9,925)
- Other operating revenues	3,410	301	-		3,711
VALUE OF PRODUCTION	32,832	(219)	-		32,613
- Product cost (raw materials and outsourcing)	(11,587)	-			(11,587)
Gross Margin	**21,245**	**(219)**	**-**		**21,026**
- Personnel expenses	(12,755)	84		3	(12,671)
- Other operating costs	(4,944)	825		3	(4,119)
EBITDA	**3,546**	**690**	**-**		**4,236**
- Writedowns, depreciation and amortisation	(2,198)	(473)		4	(2,671)
Operating income of ordinary operations	**1,348**	**217**	**-**		**1,565**
- Non-recurring expenses/(charges)	(250)	-	-		(250)
EBIT	**1,098**	**217**	**-**		**1,315**
- Financial Income/(Expenses)	(660)	(89)	-	5	(749)
EBT	438	128	-		566
- Income taxes	356	(16)	-	6	340
Net profit/(loss) for the period	**794**	**112**	**-**		**906**
of which attributable to parent company shareholders	794	112	-		906
of which attributable to non-controlling interests	-	-	-		-

Separate situation	31/12/21				
Income Statement (In Euro 000's)	**Italian accounting standards**	**Transition adjustments**	**Reclassifications**	**Notes**	**IAS/IFRS**
- Total sales	**27,482**	**11,253**	**-**	**1**	**38,735**
- Change in finished goods and W.I.P. stock	1,835	(11,760)	-	1	(9,925)
- Other operating revenues	3,410	301	-		3,711
VALUE OF PRODUCTION	**32,727**	**(206)**	**-**		**32,521**
- Product cost (raw materials and outsourcing)	(11,585)	-	-		(11,585)
Gross Margin	**21,142**	**(206)**	**-**		**20,936**
- Personnel expenses	(12,533)	84	-	2	(12,449)
- Other operating costs	(5,198)	892	-	3	(4,306)
EBITDA	**3,411**	**770**	**-**		**4,181**
- Writedowns, depreciation and amortisation	(2,025)	(641)	-	4	(2,666)
Operating income of ordinary operations	1,386	129	-		1,515
- Non-recurring expenses/(charges)	(250)	-	-		(250)
EBIT	**1,136**	**129**	**-**		**1,265**
- Financial Income/(Expenses)	(625)	(102)	-	5	(727)
EBT	**511**	**27**	**-**		**538**
- Income taxes	340	-	-	6	340
Net profit/(loss) for the period	**851**	**27**	**-**		**878**

NOTES

1. Revenue

The changes in revenue from sales mainly concerned the application of IFRS 15, which requires a different Revenue Recognition as shown in note 6 of the Statement of Financial Position. The OIC national accounting standards allowed for the identification of several performance obligations within the same sales contract with the customer and, therefore, the identification of different moments for the recording of revenue from sales. In particular, the delivery of the Design Review of the plant or machinery and its delivery. With the application of IAS/IFRS and IFRS 15 for revenue from contracts with customers, the contract and therefore the Company's only obligation is satisfied when the plant or machinery is installed. Prior to installation, the costs incurred in satisfying the obligation are recorded as inventories under contract work in progress (assets from contracts) using the cost-to-cost method, which entails recording the contract margin over the duration of the contract according to the stage of completion of the work. Remuneration received until the obligation is satisfied are recorded under "Other payables" as advances from customers. The impact of the adjustment on the 2020 income statement involves:

- Recording of revenues from previous periods totaling Euro 9,704 thousand. These are amounts that were recorded as income in the reporting periods prior to the date of First Time Adoption, with the application of the OIC national accounting standards, but which, with the application of IFRS 15, pertain to subsequent reporting periods. This resulted in a negative FTA reserve of Euro 1,218 thousand being recorded at 1 January 2020, as we saw above;

- Reversal of revenue reported on contract work in progress for contracts with customers for which installation has not yet taken place amounted to Euro 17,494 thousand at the end of reporting period 2020;

- The change in contract work in progress resulted from the above adjustments to "Inventories", which resulted in opening inventories at 01/01/2020 for IFRS of Euro 17,098 thousand and closing inventories of Euro 23,749 thousand. The overall effect on the change in inventories brought about by the accounting treatment pursuant to IFRS 15 amounted to Euro 8,636 thousand.

Revenue from sales also include adjustments to deferred income for lease-back payments, which in 2020 result in a reduction of Euro 61 thousand in revenue from sales. The overall effect on revenue from sales in the separate financial statements amounted to Euro 7,851 thousand, deriving from the adjustment of deferrals and amounts deriving from reclassification from revenues from sales and contract work in progress.

At the level of the Consolidated Financial Statements, the application of IFRS 15 results in a reduction in revenue from sales of Euro 629 thousand euros relating to contracts of OSAI Gmbh and the recognition of contract work in progress in the amount of Euro 684 thousand arising from reporting period 2019. For the reporting period 2021 the impact of the transition on the subsidiaries of OSAI S.A. S.p.A. amounted to Euro 13 thousand.

2. Personnel expenses

Application of IAS 19 on employee benefits resulted in a reduction in personnel expenses of Euro 12 thousand for reporting period 2020 and Euro 84 thousand for reporting period 2021. The adjustment resulted from:

- Lower IAS/IFRS provisions of Euro 15 thousand including substitute tax in 2020 and Euro 84 thousand in 2021;

- Reductions in the use of provisions for IAS/IFRS of Euro 3 thousand, resulting in an increase in the allocation for 2020 compared to that calculated through OIC of the same amount. For 2021, the effect was not significant;

In the consolidated financial statements, as there are no employee benefits in the Group's subsidiaries, there are no adjustments for transition.

3. Other operating costs

Adjustments to "Other operating costs" at 31/12/2020 concerned:

- Derecognition of third-party lease costs with the application of IFRS 16. Costs of Euro 777 thousand were reversed. For 2021 the lower costs for use of third party assets amounted to Euro 734 thousand;

- Derecognition of service costs relating to leased vehicles totaling Euro 133 thousand. This adjustment also resulted from the application of IFRS 16 as the costs for services related to cars are also included in the calculation of the financial debt and therefore in the Fair Value of the asset. The write-off for reporting period 2021 amounted to Euro 156 thousand;

- Write-off of service costs of Euro 2 thousand relating to the bond issue which, with the application of IFRS 9, are included in the calculation of amortised cost as a reversal of financial debt and allocated over the duration of the loan as higher interest and are present in both 2020 and 2021;

  The overall impact for the Consolidated Financial Statements was lower as a result of accounting for leased machinery and equipment under IAS 17. In the Consolidated Financial Statements in accordance with Italian national accounting standards, the amount of third-party leaseholds was lower. The total impact for the item of operating costs at consolidated level for reporting period 2020 was Euro 664 thousand while for reporting period 2021 it amounted to Euro 825 thousand.

4. Writedowns, depreciation and amortisation

The application of IFRS 16, as already seen above, resulted in a reduction in "Other operating costs" and an increase in "Property, plant and equipment" and "Financial payables". Their capitalisation among tangible fixed assets resulted in an increase in depreciation for the period totaling Euro 884 thousand. In addition to the amount of leased assets being depreciated, the impact of improvements made and capitalised on these assets must also be considered. Their overall effect during the reporting period was a reduction in the depreciation of tangible fixed assets by Euro 35 thousand, as depreciation over the life of the contract is lower. For reporting period 2021, the overall effect of applying IFRS 16 amounted to Euro 744 thousand.

The application of IAS 16 had the following effect on amortisation and depreciation at 31/12/2020:

- Recovery of amortisation and depreciation that was suspended during the period with the application of Legislative Decree no. 104 of 14 August 2020 amounting to Euro 663 thousand. It has no impact in reporting period 2021;

- Different start of amortisation as required by international accounting standards and non-use of the half-rate, as allowed by OIC national accounting standards. The impact of the adjustment amounted to Euro 4 thousand. In reporting period 2021, application of the correct depreciation period in accordance with IAS 16 resulted in an increase in depreciation costs of Euro 94 thousand.

The application of IAS 38 for intangible fixed assets had the following consequences on amortisation for the period:

- Write-off of amortisation relating to IPO expenses that cannot be capitalised, totaling Euro 209 thousand. The amount for the period 2021 was Euro 246 thousand;

- Write-off of amortisation of non-capitalisable deferred charges totaling Euro 13 thousand in reporting period 2020 and Euro 11 thousand in reporting period 2021;

- Application of the actual date of availability for use of the fixed assets instead of the full rate as required by the OIC national accounting standards. Depreciation and amortisation with IAS 38 were lower by Euro 3 thousand for reporting period 2020. In reporting period 2021 the application of IAS 38 implied higher amortisation of Euro 51 thousand;

- In addition to the above, there was the reversal of the amortisation of maintenance costs of third-party assets for which IFRS 16 is applied. For the period 2021 the amount was equal to Euro 24 thousand.

At the separate financial statement level, the transition resulted in a total adjustment of Euro 1,297 thousand for reporting period 2020 and Euro 641 thousand for reporting period 2021. For the Consolidated Financial Statements the impact was lower because, as already highlighted, part of the assets treated with IFRS 16 were already accounted for with IAS 17. For 2021, depreciation adjustment was lower by Euro 167 thousand.

5. Financial Income/(Expenses)

Adjustments related to financial charges concerned:

- The application of IFRS 16 for fixed assets acquired through leases with an increase in financial expense of Euro 99 thousand;

- Interest expense on the bond issue, resulting in a reduction in financial charges due to the reversal of accrued interest of Euro 36 thousand;

- Increase in borrowing costs from discounting of employee benefits per IAS 19. The impact was an increase of Euro 20 thousand.

FINANCIAL STATEMENTS

The Consolidated Statement of Cash Flows for reporting periods 2020 and 2021 prepared in accordance with IAS/IFRS is presented below:

STATEMENT OF CASH FLOWS (in Euro 000's)	31 December 2021	31 December 2020
Net profit/(loss) for the period	**906**	**963**
Adjustments (sub-total)	2,781	2,391
Amortization, depreciation and write-downs of fixed assets	2,586	2,692
(gains) losses on disposal of fixed assets	(1)	-
Value adjustments to equity investments	-	-
Other adjustments for non-monetary items	(3)	(32)
Change in tax assets/liabilities for prepaid/deferred taxes	(432)	(203)
Changes in personnel-related provisions	263	328
Change in other provisions for risks and charges	222	284
Changes in inventories	9,724	(7,355)
Change in trade receivables	(1,909)	1,650
Changes in trade payables and advances	(6,979)	5,039
Net change in other non-financial assets/liabilities	(690)	(12)
Cash flow from operations (A)	**3,687**	**3,354**
Cash Flow from investment activities		
- Investments in:		
Tangible assets	(3,114)	(1,594)
Intangible fixed assets	(1,303)	(945)
Equity investments	(25)	-
- Realisation of the sale of:		
Tangible assets	4	-
Intangible fixed assets	-	-
Equity investments	-	-
Cash flow from investment management (B)	**(4,438)**	**(2,539)**
Cash Flow from financing activities		
Changes in receivables and other financial assets	(186)	(184)
Changes in payables and other financial liabilities	(293)	(2,832)
Changes in short-term payables to banks	340	(3,120)
Loan repayments	(4,141)	(891)
Financing	5,610	4,500
Flow from banking and financing activities	1,330	(2,527)
Capital increase and share premium	3,840	5,187
Dividends paid	-	(564)
Change in reserves and other shareholders' equity components	40	(21)
Flow on Capital	3,880	4,602
Financial management flow (C)	**5,210**	**2,075**
Total cash flow (D=A+B+C)	**4,459**	**2,890**
Cash and cash equivalents at beginning of period (E)	**4,720**	**1,830**
Cash and cash equivalents at end of period (F=D+E)	**9,179**	**4,720**

The Separate Statement of Cash Flows for reporting periods 2020 and 2021 prepared in accordance with IAS/IFRS is presented below:

STATEMENT OF CASH FLOWS (in Euro 000's)	31 December 2021	31 December 2020
Net profit/(loss) for the period	**878**	**616**
Adjustments (sub-total)	3,184	2,595
Amortization, depreciation and write-downs of fixed assets	2,581	2,685
(gains) losses on disposal of fixed assets	(1)	-
Value adjustments to equity investments	-	200
Other adjustments for non-monetary items	-	(30)
Change in tax assets/liabilities for prepaid/deferred taxes	(430)	(203)
Changes in personnel-related provisions	263	328
Change in other provisions for risks and charges	222	284
Changes in inventories	9,724	(7,559)
Change in trade receivables	(1,715)	1,767
Changes in trade payables and advances	(6,799)	5,198
Net change in other non-financial assets/liabilities	(661)	(75)
Cash flow from operations (A)	**4,062**	**3,211**
Cash Flow from investment activities		
- Investments in:		
Tangible assets	(3,083)	(1,594)
Intangible fixed assets	(1,303)	(945)
Equity investments	(25)	-
- Realisation of the sale of:		
Tangible assets	4	-
Intangible fixed assets	-	-
Equity investments	-	-
Cash flow from investment management (B)	**(4,407)**	**(2,539)**
Cash Flow from financing activities		
Changes in receivables and other financial assets	(186)	(184)
Changes in payables and other financial liabilities	(335)	(2,830)
Changes in short-term payables to banks	340	(3,116)
Loan repayments	(4,141)	(891)
Financing	5,610	4,500
Flow from banking and financing activities	1,288	(2,521)
Capital increase and share premium	3,840	5,187
Dividends paid	-	(564)
Change in reserves and other shareholders' equity components	-	-
Flow on Capital	3,840	4,623
Financial management flow (C)	**5,128**	**2,102**
Total cash flow (D=A+B+C)	**4,783**	**2,774**
Cash and cash equivalents at beginning of period (E)	**4,257**	**1,483**
Cash and cash equivalents at end of period (F=D+E)	**9,040**	**4,257**

BOARD OF STATUTORY AUDITORS' REPORT

TO THE SHAREHOLDERS' MEETING

(pursuant to Article 2429, Paragraph 2, Italian Civil Code)

Dear Shareholders,

this Report, drawn up in accordance with art. 2429, paragraph 2 of the Italian Civil Code, reports on the activities carried out by the Board of Statutory Auditors (the "Board") of Osai Automation System S.p.a. (hereinafter also referred to as "Osai" or the "Company") during the financial year ended 31 December 2021.

It should be noted that, during 2021, the Board of Statutory Auditors carried out the functions set out in art. 2403 Italian Civil Code et seq., while the functions provided for by art. 2409 bis were carried out by the Independent Auditors BDO Italia S.p.a.

During FY 2021, the Board of Statutory Auditors carried out its institutional tasks in compliance with the Italian Civil Code, the provisions in the Articles of Association and those issued by the supervisory and control Authorities, taking into account the rules of conduct recommended by the National Board of Chartered Accountants.

Supervisory activities pursuant to Art. 2403 Italian Civil Code et seq.

During 2021, we attended the Board of Directors' meetings and the Shareholders' Meetings, all of which were held in compliance with the statutory, legislative and regulatory provisions governing their operations.

In order to carry out our duties, we acquired documents, data and information both through meetings and an exchange of information with management, the heads of company departments, representatives of the Independent Auditors Bdo Italia S.p.A. and the Supervisory Body, and by taking part in all the Shareholders' Meetings and those of the Board of Directors.

As part of our controls, we are hereby reporting as follows:

- we monitored compliance with the law and the Bylaws, and with the principles of proper governance;
- we attended all the Shareholders' Meetings and those of the Board of Directors for which, on the basis of information available, we have no particular observations to make;
- the Administrative Body provided information on the activities carried out and the Company's most important economic, financial and equity transactions. We can reasonably assure you that the actions decided and carried out comply with the law and the Bylaws and do not appear to be manifestly imprudent, reckless, in potential conflict of interest, in contrast with those made by the Shareholders' Meeting or such as to compromise the integrity of company assets;
- we obtained information from the supervisory body and no critical points have emerged regarding correct implementation of the organizational model that need to be highlighted in this Report;
- by collecting information from the heads of the organizational function, the Administrative Body, the Independent Auditors and the Supervisory Body, we monitored the adequacy of the organizational, administrative and accounting structure, ascertaining that it was working effectively, also with regard to the timely detection of situations of crisis or loss of continuity. In this respect, we have no remarks to make;

- for those matters under our responsibility, we evaluated and monitored the adequacy of the internal control system and the administrative and accounting system, as well as the reliability of the latter to present management fact correctly. During the year 2021, the Company pursued its objective to strengthen its administrative and accounting structure, also in view of adoption, for the first time, of the International Accounting Standards (IAS/IFRS);
- we did not detect any atypical or unusual transactions, or any transactions involving a conflict of interest;
- no reports were filed pursuant to Art. 2408 of the Italian Civil Code, nor complaints from third parties;
- during the supervisory activities carried out and based on the information obtained, no omissions, reprehensible facts, irregularities or in any case significant facts were detected that would require reporting or merely a mention in this Report;
- the Board of Statutory Auditors issued its motivated proposal for assignment of the independent auditing position for the financial years 2021- 2023 .

Remarks on the Financial Statements

The draft financial statements for the year ended 31 December 2021, accompanied by the Directors' Report pursuant to art. 2428 Italian Civil Code, were approved by the Administrative Body on 28 March 2022 and were prepared in accordance with the International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board ("IASB") and approved by the European Union, as well as the measures issued in implementation of Art. 9 of Legislative Decree 38/2005:

The above-mentioned draft financial statements as at 31 December 2021 include the Statements of Financial Position, the Income Statement, other elements of Comprehensive Income and changes in Shareholders' Equity, the Cash flow Statement and the Notes to the financial statements.

Moreover, as required by IFRS 1, the Report on the transition to the international accounting standards has also been prepared, in order to provide the additional information needed to understand the restatement of Balance Sheet figures as at 1 January 2020 and 31 December 2020, as well as the explanatory notes to the reconciliation statement prepared in accordance with the said IFRS 1 accounting standard.

That set of documents was made available to the Board of Statutory Auditors in compliance with the deadline set out in Art. 2429 of the Italian Civil Code.

When the financial statements had been examined the following additional disclosures were provided in this regard:

- the Financial Statements were prepared in accordance with the provisions of the Italian Civil Code and drawn up for the first time in compliance with International Accounting Standards (IAS/IFRS);
- as we were not assigned to audit the financial statements, attention was paid to the general approach given to them, and to their general compliance with the law with regard to their formation and structure, and in this regard there are no observations to be made in this report;
- we checked compliance with legal requirements regarding preparation of the Directors' Report and have no issues to report;
- in compliance with the accounting standards adopted and the warning issued by Consob on 18 March 2022, the Directors have provided specific information in the financial statements

on the current and foreseeable, direct and indirect effects of the Russian-Ukrainian crisis on commercial activities, on exposures to the markets affected, on supply chains, as well as on the outlook for operations, not highlighting any particular risk elements regarding business continuity;
- the notes to the financial statements include the information required by art. 1, paragraph 125, of Law no. 124 of 4 August 2017 as amended, regarding public allocations:
- moreover, the notes to the financial statements include information on research and development expenses incurred in order to verify the requirement pursuant to art. 4, paragraph 1 of Decree Law 3/2015 for the qualification as “Innovative SME”;
- to the best of our knowledge, when preparing the financial statements, the Directors did not derogate from the law pursuant to Article. 2423, paragraph 5 of the Italian Civil Code.
- we checked compliance of the financial statements with the facts and information of which we gained knowledge in the course of the duties typical of the Board of Statutory Auditors and in this respect no further observations need to be made;
- we checked, to the best of our knowledge, the accuracy of the information contained in the explanatory notes;
- the Financial Statements are consistent with Company facts and with the information that came to our attention while performing our duties;
- we checked application of the evaluation criteria set out in art. 2426 of the Italian Civil Code, directing supervisory activities with a view to preserving the integrity of company assets.

Result of the period

The net result as determined by the administrative body for the period ended on 31 December 2021 and also confirmed by reading the financial statements and the directors’ report, is positive at € 877,966,74.

On the basis of the information available, there are no observations with regard to the Administrative Body proposal on allocation of the net result for the period, although it should be noted that this decision is taken by the Shareholders' Meeting.

The Board of Statutory Auditors also acknowledges that the independent auditors Bdo Italia S.p.A. issued their report on 8 April 2022 pursuant to art. 14 of Legislative Decree no. 39 of 27 January 2010 which certifies that the financial statements as at 31 December 2021 give a true and fair view of the state of company affairs as at 31 December 2021, of the profit for the year ended on that date, pursuant to the International Financial Reporting Standards adopted by the European Union.

Pursuant to Article 14, paragraph 2, letter E of Legislative Decree no. 39/2010, the Independent Auditors certified that the Directors’ Report is consistent with the financial statements for the year of Osai A.S. S.p.A. as at 31 December 2021 and was prepared in compliance with the law.

Comments on the consolidated financial statements

The Board of Statutory Auditors acknowledged that the Company drew up the consolidated financial statements and submitted them for legal audit by the Independent Auditors Bdo Italia S.p.a.

The Board of Statutory Auditors supervised compliance with the procedural rules concerning preparation of the consolidated financial statements, obtaining information from the Administrative Body on the most significant transactions within the scope of Group relations. In this respect, we have no comments to make.

Final observations and proposals on approval of the financial statements for the year

In the light of the above, the Board of Statutory Auditors, considering the information received from the Company and the contents of the report prepared by BDO Italia S.p.A., does not find any reasons, for its areas of responsibility, to prevent approval of the draft financial statements as at 31 December 2021, as prepared by the Board of Directors.

The Board of Statutory Auditors agrees with the proposal made by the Board of Directors concerning allocation of the net profit for the year.

Turin, 8 April 2022

The Board of Statutory Auditors:

Ignazio Pellecchia

Alberto Pession

Luca Barbareschi

OSAI A.S. S.p.A.

Independent auditor's report
pursuant to article 14 of
Legislative Decree n. 39

Consolidated Financial Statements as of
December 31, 2021

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.

BDO

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www.bdo.it

C.so Re Umberto, 9/bis
10121 - Torino

Independent auditor's report
pursuant to article 14 of Legislative Decree n. 39

To the shareholder of
OSAI A.S. S.p.A.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of OSAI A.S. S.p.A. and its subsidiaries (the "OSAI A.S. Group"), which comprise the statement of financial position as of December 31, 2021, 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.

In our opinion the financial statements give a true and fair view of the financial position of the Company as of December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 consolidated financial statements* section of this report. We are independent of the company OSAI A.S. S.p.A in accordance with ethical requirements and standards applicable in Italy that are relevant to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The consolidated financial statements present, for comparative purposes, the corresponding data from the previous year prepared in accordance with the international accounting standards deriving from the consolidated financial statements as of 31 December 2020 prepared in accordance with the Italian regulations governing the preparation criteria. "Chapter 11 - Report on the transition to international accounting standards / 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Italian regulations and accounting principles governing its preparation and, within the limits of the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the holding OSAI A.S. S.p.A. or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated 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 Group's internal control;
- Evaluate the appropriateness of accounting principles used and the reasonableness of accounting estimates and related disclosures made management;
- Conclude on the appropriateness of management's use of the going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions in a manner that achieves fair presentation;
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We 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.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10.

The directors of OSAI A.S. S.p.A. are responsible for the preparation of the Group' report on operations of OSAI A.S. S.p.A. as of December 31,2021, including its consistency with the consolidated financial statements and the compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, with the consolidated financial statements of OSAI Group as of December 31,2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contain material misstatements.

In our opinion, the report on operations is consistent with the consolidated financial statements of OSAI A.S. S.p.A. Group as of December 31,2021 and is compliant with applicable laws and regulations.

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

Turin, 8 April 2022

BDO Italia S.p.A.

Signed by Anna Maria Bongiovanni
Partner

OSAI A.S. S.p.A.

Independent auditor's report
pursuant to article 14 of
Legislative Decree n. 39

Financial Statements as of December 31, 2021

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

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C.so Re Umberto, 9/bis
10121 - Torino

Independent auditor's report
pursuant to article 14 of Legislative Decree n. 39

To the shareholder of
OSAI A.S. S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of OSAI A.S S.p.A. (the Company), which comprise the statement of financial position as of 31 December 2021, the income statement, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as of 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 financial statements section of this report. We are independent of the company in accordance with ethical requirements and standards applicable in Italy that are relevant to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements present, for comparative purposes, the corresponding data from the previous year prepared in accordance with the international accounting standards deriving from the financial statements as of 31 December 2020 prepared in accordance with the Italian regulations governing the drafting criteria. "Chapter 11 - Report on the transition to international accounting standards / 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 financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian regulations and accounting principles governing financial statements and, within the limits of the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- Obtain and understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting principles used and the reasonableness of accounting estimates and related disclosures made management;
- Conclude on the appropriateness of management's use of the going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the 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.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10.

The directors of OSAI A.S. S.p.A are responsible for the preparation of the report on operations of OSAI A.S. S.p.A as of December 31, 2021, including its consistency with the financial statements and the compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, with the financial statements of OSAI A.S. S.p.A as of December 31, 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contain material misstatements.

In our opinion, the report on operations is consistent with the financial statements of OSAI A.S. S.p.A as of December 31, 2021 and is compliant with applicable laws and regulations.

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

Turin, 8 April 2022

BDO Italia S.p.A.

Signed by Anna Maria Bongiovanni
Partner

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