FINANCIAL STATEMENTS AT 31.12.2022

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
Chief Executive Officer	Fabio Benetti
Managing Director	Virgilio Giorza
Independent Director	Sergio Duca
Independent Director	Paola Marini

Board of Statutory Auditors

Chairperson	Ignazio Pellecchia
Acting Auditor	Alberto Pession
Acting 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 favourable 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 centres 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 27 March 2023 approved these draft Financial Statements for financial year 2022, 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 micromechanics, 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 include technical assistance, *refurbishing*, *retrofitting* and *retooling* on products sold by the Group, the sale of spare parts and preventive maintenance services, *training* and specific training for customers' technical personnel.

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.

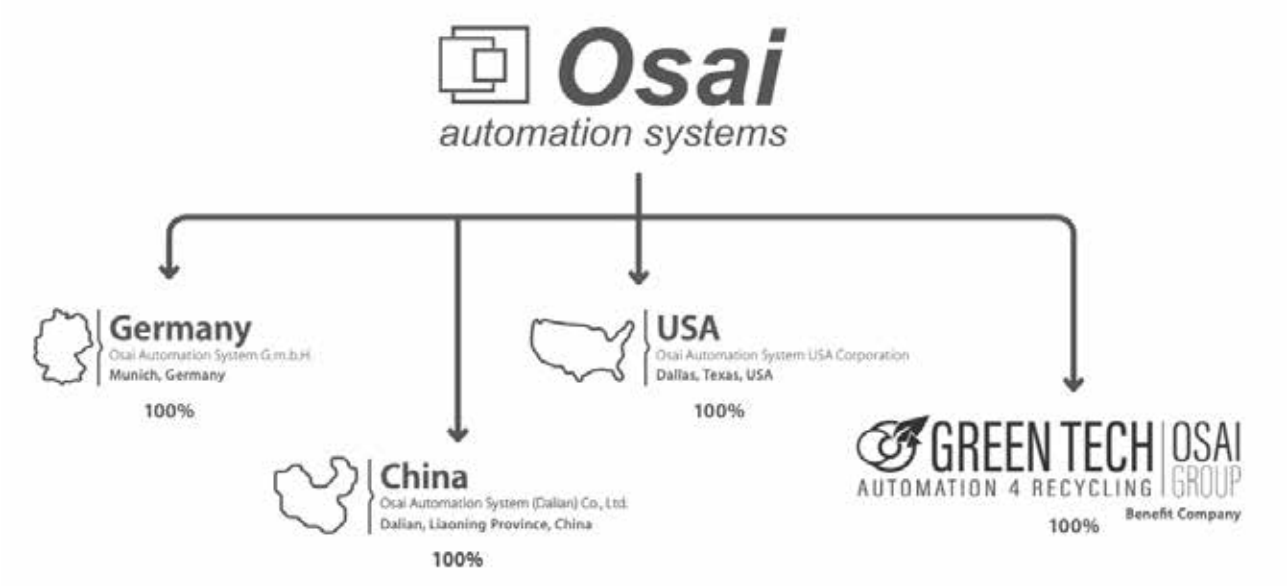
In addition, during the financial year 2022, in line with what was announced at the time of the listing in 2020, the OSAI Group officially promoted the creation of an offer of products, systems and technological solutions aimed at the *recycling* world and for the Circular Economy, which was realised through the creation of a new subsidiary company, specifically set up for this purpose.

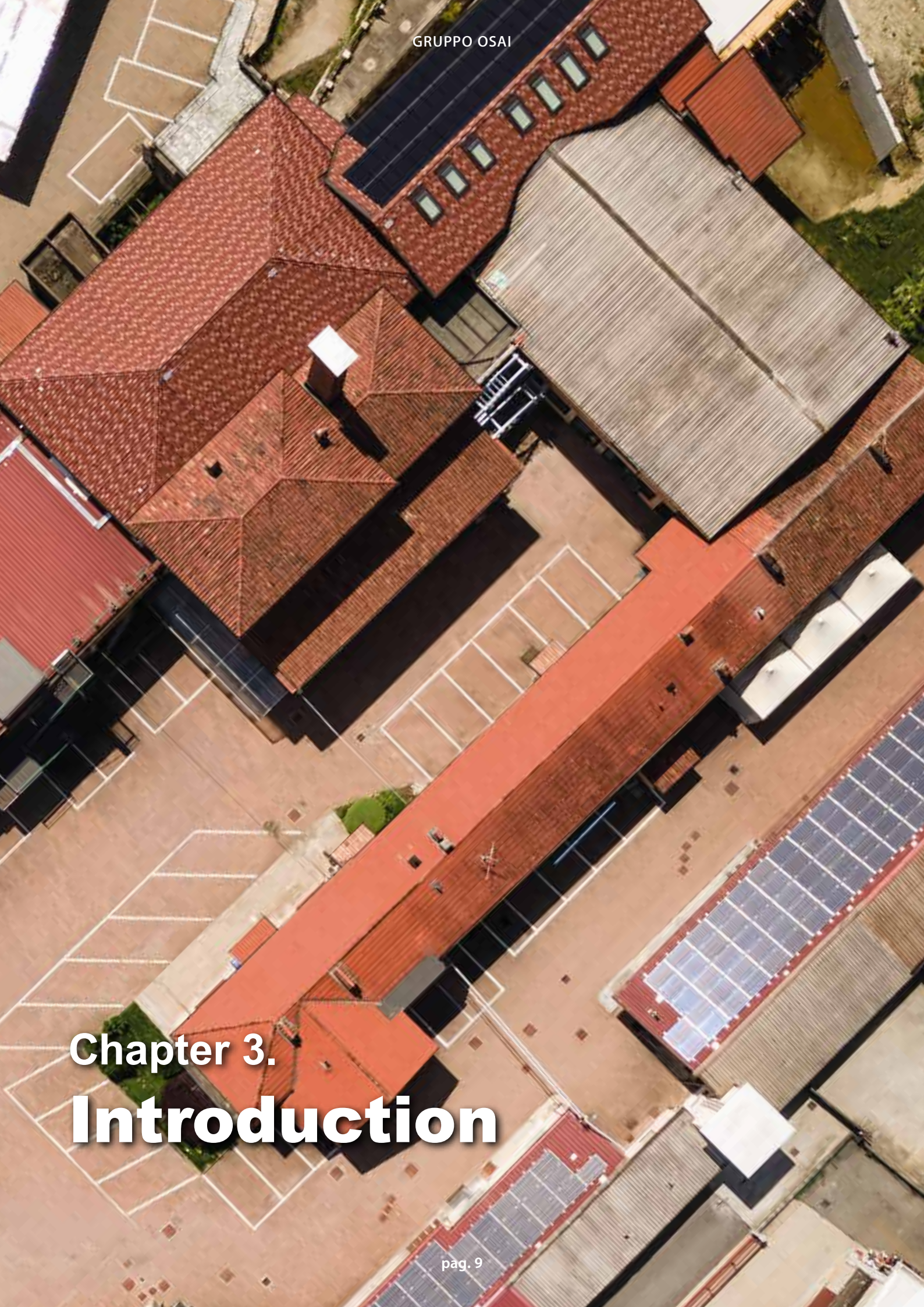
Group structure

As at 31 December 2022, the OSAI Group is divided into a structure headed by OSAI Automation System S.p.A., which holds 100% of one Italian company and three foreign companies, representing the scope of the group.

In fact, on 18/10/2022, Osai Green Tech Società Benefit S.r.l. was established, 100% owned by the parent company. The new subsidiary will close its first financial statements on 31/12/2023. In the financial year ended 31/12/2022, OSAI Green Tech Società Benefit S.r.l. was consolidated using the cost method.

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





Chapter 3.
Introduction

Dear Shareholders,

The year ended 31/12/2022 reports a Group profit of Euro 952,000.

The Notes to the Financial Statements provide information on the consolidated financial statements as at 31/12/2022. In this document, in accordance with the provisions of Art. 2428 of the Italian Civil Code, we provide you with news relating to the consolidated 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	Share held by the Group
OSAI AUTOMATION SYSTEM S.P.A.	Via Sondrio, 13 – 10144 Torino, Italy	€ 1,612,720.70	Parent Company
OSAI AUTOMATION SYSTEMS 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, People's Republic of China	¥ 1,553,072.50	100%

On 18/10/2022, Osai Green Tech SB S.r.l. was established, wholly owned by OSAI Automation System S.p.A., which has the strategic mission to pursue, in a transparent and responsible manner, profit-making and common-benefit purposes deriving from the development and commercialisation of the Re4M project and to promote further innovative applications of sustainable technologies with a view to the circular economy. The subsidiary, closing its first financial statements on 31/12/2023, is not consolidated on a line-by-line basis, but has been valued at cost within the item Investments.

With regard to equity investments in other companies, in addition to the valuation at cost of the 5.00% 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 Interaziendale 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 line-by-line consolidation has not changed since the previous financial year.

This Annual Financial Report as of 31/12/2022 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.

This annual financial report has been audited.



Chapter 4.
OSAI Group Directors' Report

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 current transition of the car from traditional, endothermic to electric mobility continues to increase the demand for semiconductors in a global market with an inadequate supply to meet the ever-increasing demands, caused first by the *shortage of microchips* as a result of the pandemic and then by the unforeseeable surge in demand for the automotive sector.
According to recent market research, demand for chips from electric car manufacturers will grow steadily by 55%[1] per year, driven also by the targets Europe has set in the 'Fit for 55' programme that will increase and accelerate the penetration of battery-electric vehicles (BEVs) in Europe.
According to a report by BCG[2], global sales of BEV cars are expected to rise to 20 per cent of the total by 2025, with an upward *trend* in the following years that will bring the share of battery car sales to 39 per cent of the total by the end of the decade and 59 per cent by 2035.

This ever-changing scenario now sees major semiconductor manufacturers engaged in unprecedented investments supported by governments, with the sole aim of increasing production, enhancing their independence and seizing the opportunities related to the growth expected in 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 more than EUR 43 billion for public and private investment to support the sector with the aim of achieving 20 per cent 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 favourable context of growth in the sector, the OSAI Group is positioning itself in the semiconductor market as a niche player able to provide customised and *mass production* applications: 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.

Moreover, from 2021, thanks to its ability to anticipate market trends, the OSAI Group is committed to developing systems for the automation of *Silicon Carbide (SiC)* production processes. SiC chips, which are used for system control in electric vehicles, although still uncommon compared to conventional silicon chips, represent a higher-performance alternative against the shortage of silicon in the coming decades. Although the market is still tight, the prospective increase in demand will ensure an interesting development for the OSAI Group.

[1] Data source: *AlixPartners, Global Automotive Outlook - 2022*
[2] Data source: Boston Consulting Group - Electric Cars Are Finding Their Next Gear

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 the OSAI Group as it allows the it 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.

Precise sales figures for the whole of 2022 are not yet available, but Bloomberg New Energy Finance (BNEF)[3] estimates that by the end of 2022, sales of electrified vehicles (including plug-ins and hydrogen *fuel cell* vehicles) will reach 10.6 million, of which 72% will be *full electric*.
China, followed by Europe and the US, is still the leading and driving market for zero-emission mobility. In 2022, about 50% of total electric car sales occurred in China.
In Europe, according to the latest findings of Jato Dynamics[4], the electric car set new records in 2022. Registrations of *full-electric* vehicles amounted to 1.56 million units, a 29% growth over 2021, resulting in 14 out of every 100 cars sold in Europe last year being powered by battery only.

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).

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).

Of particular interest to the OSAI Group is the application, through its systems, of automation in the assembly and laser welding processes of battery packs for electric traction, which sees the company currently engaged in applications aimed at the *motor sport* sector and large-scale production with its customer Podium Advanced Technologies, providing value in the development phases of electric car components, for an epoch-making transition towards sustainable mobility.

ELECTRONICS MARKET

Process automation in the field of printed circuit board or *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 sectors such as industrial and consumer electronics, medical, aerospace and defence, *automotive*, *IoT*, telecommunications, *home appliances* and more.

The global printed circuit board (PCB) market is expected to reach $72.6 billion by 2022, according to *Research* and Markets, with a projected growth of 3.2% CAGR from 2017 to 2022.

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 industry will come as an inevitable consequence of the huge investments that semiconductor manufacturers will make in flexible *PCB* manufacturing technology increasingly adopted in aerospace, military, *automotive* and *IoT* electronics applications.

[3] Data source: Bloomberg New Energy Finance (BNEF)
[4] Data source: Jato Dynamics

The market for flexible printed circuit boards is substantial and growing rapidly. By the end of 2022, it is estimated[5] that the market will be worth around $15.76 billion and is expected to grow at a CAGR of 10.32% over the next five years, far outpacing the overall market by almost 5%.

In this context of market recovery and expansion, the OSAI Group 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.

MEDICAL AND PHARMACEUTICAL MARKET

The systems for the medical market represent for the OSAI Group 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. Various end-applications are realised 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 is expected to grow from USD 495.46 billion in 2022 to USD 718.92 billion by 2029 with a CAGR of 5.5% over the forecast period, 2022-2029[6].

Many factors are positively influencing the growth of this sector including: the increased incidence of chronic diseases that are fuelling 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 favourable context, the OSAI Group offers 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 2022, the OSAI 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.

[5] Data source: Globalist.it
[6] Data source: fortunebusinessinsights.com

CIRCULAR ECONOMY

The application of industrial automation to the world of *recycling* and the circular economy represents a further business opportunity for the OSAI Group.
In fact, the Group believes that the spread of automation, the result of the experience, expertise and technology portfolio acquired in over thirty years of activity, represents an important ally for the recycling industry by making available to this fast-growing market technologies at the forefront of Industry 4.0, allowing through innovative systems and processes to recover resources from discarded products in an efficient, fast and sustainable way.

Several areas of interest are currently being explored by the Group to develop and implement systems capable of recovering valuable and/or strategic materials from electronic waste (electronic boards, hard disks), photovoltaic panels and disused batteries.

Estimates published by SkyQuest[7] show global e-waste generation reaching 54.7 million tonnes in 2022 with prospects of reaching 74 million tonnes by the end of the decade. This growth will bring the global market for e-waste management technologies and services to close to USD 9 billion by 2028, with an average annual growth rate of more than 8%.

The treatment of disused rare-earth-rich electronic devices, such as hard disks, is an urgent issue in terms of data security, environmental protection and sustainable development. In this regard, consider that, despite the strategic importance of these materials, the EU extracts less than 10 per cent of them, with heavy dependence on Asian countries. In less than five years, global industry's demand for rare earths will exceed supply. If the manufacturing sector continues to exploit these resources at the current rate, there will be a shortage of rare earths, which are crucial for the economy of the present and the future. Consider that 2 to 5 kg of permanent magnets are used for each electric vehicle, and the general trend in the automotive market shows that demand will grow more than tenfold by 2030. For this reason, it will be indispensable in the coming years to recover indispensable materials such as rare earths through efficient and sustainable *recycling* processes from disused devices.

We are witnessing the *E-mobility* explosion, with exponential growth of electric vehicles strongly linked to the production capacity of the battery industry. Demand in 2030 is estimated to be 3,500 Gwh. By 2050, with the almost complete conversion of vehicles to electric, some 17 million batteries[8] will reach the end of their life each year, which equates to 3.4 million tonnes of material to be collected, processed and put back on the market. Currently, the recycling capacity does not exceed 80,000 tonnes per year, creating a huge market opportunity for those involved in *recycling* and *second-life* considering that the resale of the metals used in the cathode (lithium, nickel, cobalt) could be worth at least 6 billion euro in Europe and no less than 400-600 million in Italy.

In this highly evolving and globally interesting context, the Group, through its subsidiary OSAI Green Tech Società Benefit S.r.l., is positioned as a competent technological partner to develop automated systems to automate the process of extraction, separation and selection of valuable components, allowing through specific processes to obtain secondary raw material to be reintroduced into production processes destined for high-end applications such as the production of components for electric vehicles and medical devices.

In the course of 2022, the OSAI Group signed an agreement with the IREN Group to supply the first RE4M plant, intended for the extraction, selection and recovery of the precious metals present inside WEEE electronic boards, which will be installed in the course of 2023 inside the pole dedicated to the circular economy that IREN is developing in Tuscany, in the municipality of Terranuova Bracciolini (province of Arezzo).

Also in 2022, OSAI A.S. S.p.A. took part in the NEW-RE project, financed by the European Institute of Innovation and Technology for EUR 3.6 million, with the aim of building a demonstrator plant within 26 months, to be installed in Ceccano (FR), Italy, capable of treating 20 tonnes per year of permanent magnets from end-of-life hard disks and electric motors and recirculating around 99% of secondary rare earths from the treated waste, thus increasing the recycling rate, currently only 1% at European level.

[7] Data source: key4biz.co.uk
[8] Data source: Motus-E, Strategy& and Politecnico di Milano - "Electric vehicle battery recycling @2050: evolutionary scenarios and enabling technologies".

The NEW-RE project will involve the OSAI Group as a technological partner that will design and build an industrial prototype through the application of a solution designed and developed ad hoc for the semi-automated disassembly of permanent magnets from hard disks that will allow significant savings compared to the manual process normally used, evaluating the applicability to electric motors as well.

Summary of OSAI Group results

SUMMARY OF GROUP RESULTS	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
REVENUE *(Euro/000)*	31,646	38,827	(7.181)	-18%
PRODUCTION VALUE *(Euro/000)*	42,509	32,613	9,896	30%
GROSS MARGIN *(Euro/000)*	24,452	21,026	3,426	16%
GROSS MARGIN %	57.52%	64.47%	-	-
EBITDA *(Euro/000)*	3,921	4,236	(315)	-7%
EBITDA %	9.22%	12.99%	-	-
EBIT *(Euro/000)*	1,818	1,315	503	38%
EBIT %	4.28%	4.03%	-	-
NET PROFIT *(Euro/000)*	952	906	46	5%
NET PROFIT %	2.24%	2.78%	-	-
ORDERS *(Euro/000)*	44,809	37,495	7,314	20%
ORDER PORTFOLIO *(Euro/000)**	36,940	21,211	15,729	74%
NET FINANCIAL DEBT *(Euro/000)*	20,403	11,062	9,341	84%
PERSONNEL *(average number)*	211	201	10	5%

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

**This is the total of invoices to be issued on orders acquired*

Management performance

For the OSAI Group, 2022 was a year marked by a strong recovery, which started in the second half of 2021 and which resulted, for the second year in a row, in a record flow of orders represented by an ***Order Intake*** of 44.809 million euro, 7.314 million euro (+20%) higher than in the same period of 2021.

The increase in orders affected all divisions of the Group with particular emphasis on the Applied Electronics/Laser Division, +71% compared to 2021 (order intake of EUR 9.895 million), which had suffered greatly during the two-year pandemic period.

The order figures confirm the market's preference for the products of all the Group's Divisions, which are characterised by a high innovation content and aimed at fast-growing and evolving end applications in the semiconductor, *e-mobility* and medical markets.

The high order intake in 2022 and a high *back-log* at the end of 2021 had a positive impact on the growth (+30%) of the **value of production** compared to 2021, amounting to EUR 42.509 million, highlighting the Group's great potential. Potentialities not yet fully expressed due to the worsening of the global crisis in supply chains, particularly related to the procurement of electronic components, which adversely affected the year by compromising the regular flow of incoming materials, affecting production efficiency and increasing product lead times.

The crisis in the supply chains and the inevitable negative impacts on the timing of material procurement permeated the entire financial year 2022. The inability to complete many of the planned installations during the year inevitably caused a drop in **sales revenue**, -18% compared to 2021, which amounted to EUR 31.646 million.

The worsening of the global crisis on supply chains has severely affected the management of production planning, leading to inefficiencies in processes and higher costs related to the difficult saturation of resources as well as to the search for alternatives on materials used, which in some cases has led to the redesign of entire product architectures in order to reconcile material shortages, find alternatives and thus fulfil supply contracts signed with customers.

Rising material costs and the consequent inflationary pressure, which also involved energy costs, led to an average increase in product costs of 10%, despite the strategies implemented by the OSAI Group as early as the end of 2021.

The above-mentioned aspects and a product mix in 2022 composed of orders acquired in 2021 with non-revisable contracts and systems at their first market debut with high innovative content, heavily impacted the expected marginality in the period, which recorded an **EBITDA** value of EUR 3.921 million, down 7% compared to the 2021 figure and below the estimates forecast by the OSAI Group at the beginning of the year.

Overall, 2022 was a year of growth compared to 2021, with remarkable results despite a less than favourable economic condition that reconfirmed the great resilience and responsiveness possessed by the Group.

The OSAI Group's presence through its products in several markets with growing *trends* has proven to be more successful than ever, and a strategic element capable of providing the resilience needed to overcome global crises and ensure continuity for the Group in the future.

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 Systems GmbH**: the German subsidiary continued its business activities in 2022 with a slight reduction in the value of production, but, thanks to cost containment, recorded a significant improvement in margins and profit, which rose from €24 thousand in 2021 to €93 thousand in 2022;
- **Osai Automation Systems (Dalian) Co., Ltd**.: the Chinese subsidiary continued its operations with both machine and system installation and *after-sales* service activities in the *Far East*. In the year under review, a profit of EUR 22,000 was recorded in view of the recharging - by the branch - of operating costs to the parent company.
- **Osai Automation System USA Corporation**: the US subsidiary recorded a reduction in production value due to the focus of the subsidiary's activities on after-sales services only. The result for the year was essentially break-even.

The share of sales revenue, which, as already explained, is linked to the value of installed machines alone, destined for export has increased from the previous year (77% in 2021) to a level of 81%, with greater penetration of markets in Asia and Africa.

Commercial performance

During the 2022 financial year, the OSAI Group's order intake (including *after-sale service*) from customers outside the Group alone amounted to Euro 44.809 million, up 20% from Euro 37.495 million as at 31.12.2021.

The order intake of the Automation Division, amounting to EUR 9.867 million, showed a strong recovery, recording a +82% on 2021, of Euro 5.431 million.

The order intake of the Electronics and Applied Laser Division also increased, amounting to Euro 9.895 million, which was up by 71% compared to 2021, when it amounted to Euro 5.787 million.

The order intake of the Semiconductor Division remained substantially constant at EUR 22.016 million (-3% compared to financial year 2021), while the Service Division recorded an order intake of EUR 3.032 million, down 13% compared to financial year 2021.

The consolidated order portfolio (not including *after-sale service*) as of 31/12/2022 amounted to Euro 36.940 million, up sharply +74%, compared to Euro 21.211 as at 31/12/2021.

Operating Performance

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

MAIN ECONOMIC DATA *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Sales revenue	31,646	38,827	(7,181)	-18%
Variation of operating inventory	7,793	(9,925)	17,718	-179%
Other income	3,070	3,711	(641)	-17%
Value of production	**42,509**	**32,613**	**9,896**	**30%**
Material purchases and external processing	(18,057)	(11,587)	(6,470)	56%
Gross Margin	**24,452**	**21,026**	**3,426**	**16%**
Personnel costs	(14,482)	(12,671)	(1,811)	14%
Other operating costs	(6,049)	(4,119)	(1,930)	47%
Gross operating margin (EBITDA)	**3,921**	**4,236**	**(315)**	**-7%**
Amortization, depreciation & write-downs	(2,103)	(2,671)	568	-21%
Non-recurring income and charges	-	(250)	250	-100%
Operating profit (EBIT)	**1,818**	**1,315**	**503**	**38%**
Financial income and charges	(769)	(749)	(20)	3%
Pre-tax profit (loss)	**1,049**	**566**	**483**	**85%**
Income taxes	(97)	340	(437)	-129%
Net profit (loss) of the Group	**952**	**906**	**46**	**5%**

Sales Revenues, which only represent the value of the installations carried out during the year and therefore only partially describe the Group's economic performance, decreased by Euro 7,181,000 compared to 2021.

Value of Production as at 31 December 2022 was Euro 42,509 thousand, an increase of Euro 9,896 thousand compared to the previous year (Euro 32,613 thousand).

The **Industrial Margin** as of 31/12/2022 was EUR 24,452,000, an increase of EUR 3,426,000 compared to EUR 21,026,000 as of 31/12/2021; the margin as a percentage of the value of production was 57.52%, a decrease of 64.47% compared to 31/12/2021.

EBITDA as of 31/12/2022 was EUR 3,921,000 or 9.22% of the value of production, compared to EUR 4,236,000 or 12.99% of the value of production as of 31/12/2021.

EBIT as of 31 December 2022 was positive at EUR 1,818,000, or 4.28% of the value of production, an increase of EUR 503,000 compared to EUR 1,315,000 as of 31 December 2021.
Having an impact on the above are:

- amortisation of intangible assets of €546,000 (related to development costs of €455,000);
- depreciation of tangible fixed assets in the amount of EUR 1,557,000.

The **Net Result** as at 31/12/2022 was EUR 952,000 (EUR 906,000 as at 31/12/2021).
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:
Please note that reclassifications have been made to the year 2021 for a better reading of the figure.

GROUP ECONOMIC INDICATORS AS AT 31/12/2022 *(Euro/000)*	***TOTAL SALES***	**VALUE OF OPERATING PRODUCTION** [1]	**MOL Level 3** [2]	**GROSS OPERATING MARGIN LEVEL 3 - %**
Automation	4,119	6,234	1,260	20%
Electronics and Laser	4,405	7,124	2,243	31%
Semiconductors	19,949	20,072	5,773	29%
Service	3,173	3,173	589	19%
Unallocated Services	-	3,585	(8,265)	ND
GROUP	**31,646**	**40,189**	**1,601**	**4%**

GROUP ECONOMIC INDICATORS AS AT 31/12/2021 *(Euro/000)*	***TOTAL SALES***	**VALUE OF OPERATING PRODUCTION** [1]	**MOL Level 3** [2]	**GROSS OPERATING MARGIN LEVEL 3 - %**
Automation	12,656	5,739	554	10%
Electronics and Laser	4,898	4,775	1,631	34%
Semiconductors	18,076	16,728	5,942	36%
Service	3,197	3,197	468	15%
Unallocated Services	-	(226)	(6,759)	ND
GROUP	**38,827**	**30,213**	**1,836**	**6%**

CHANGES 2022/2021 *(Euro/000)*	***TOTAL SALES***	**VALUE OF OPERATING PRODUCTION** [1]	**MOL Level 3** [2]	**GROSS OPERATING MARGIN LEVEL 3 - %**
Automation	(8,537)	495	706	11%
Electronics and Laser	(493)	2,349	612	-3%
Semiconductors	1,873	3,344	(169)	-7%
Service	(24)	(24)	121	4%
Unallocated Services	-	3,811	(1,506)	ND
GROUP	**7,181**	**9,976**	**(235)**	**-2%**

(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*

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 decreased by EUR 8,537,000 (-67%) compared to the previous year, mainly due to the fact that a significant number of orders, started in 2020, had been installed in 2021 and due to the negative effects and restrictions of Covid were completed in 2021 .
In 2022, on the contrary, there was an increase in the division's value of production of Euro 495 thousand (+9%) due to the higher orders in progress at year-end, with an increase in the third level margin of Euro 706 thousand (+127%). The operating margin rises to 20% of the value of production.

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.
Also for this division, the sales performance was influenced by the sales performance in the previous year.
The division's production value showed an important growth of EUR 2,349,000 (+49%) with an increase in the third level margin of EUR 612,000 (+38%). The operating margin as a percentage of production value decreased by 3% due to the higher costs of components used in the construction of products.

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.
The segment showed growth in both sales (+Euro 1,873 thousand) and value of production (+Euro 3,344), but a slight decrease in operating margins (-Euro 169 thousand). This decrease resulted from both the increased costs of the components used and the Group's strategic decision to acquire orders for new-generation products that have lower margins at an early stage.

SERVICE Division

This division provides after-sales services to Group customers worldwide, through the provision of *on-site* or remote technical assistance and spare parts.
Service confirmed the good performance of the previous year with substantial stability in the indices.

To complete the analysis, note the dynamics concerning the item of unallocated services, which represent production costs that cannot be allocated to a specific division. This item mainly includes costs for semi-finished goods that can be used by the various operating divisions when they are allocated and accounted for a specific order.

For further details and comments on the above tables, please refer to the more detailed sector information included in the Explanatory Notes.
The consolidated revenues, broken down by geographic area, as at 31/12/2022 are also shown below, compared with the figures for the previous period:

CONSOLIDATED REVENUES BY GEOGRAPHICAL AREA	**31/12/2022**		**31/12/2021**	
	(Euro/000)	*%*	*(Euro/000)*	*%*
ITALY	6,026	19%	8,795	23%
REST OF EUROPE	11,208	35%	12,433	32%
AMERICA	3,308	11%	7,376	19%
ASIA AND AFRICA	11,104	35%	10,223	26%
TOTAL	**31,646**	**100%**	**38,827**	**100%**

The table above shows the turnover of the OSAI Group as at 31/12/2022, compared with the corresponding period of the previous year. The figure represents the value of installations in the various geographical areas during the periods analysed.

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 (*Euro/000*)	**31/12/2022**	**31/12/2021**	**Change**
A	Tangible and intangible fixed assets	19,715	15,006	4,709
B	Investments and other non-current assets	905	642	263
C	Deferred tax assets	571	829	(258)
D	**NON-CURRENT ASSETS (A+B+C)**	**21,191**	**16,477**	**4,714**
E	Inventories	31,172	22,459	8,713
F	Trade receivables	9,402	11,566	(2,164)
G	Trade payables	(8,697)	(6,158)	(2,539)
H	Advances from customers	(10,601)	(12,117)	1,516
I	Advances to suppliers	677	215	462
J	**OPERATING WORKING CAPITAL (E+F+G+H+I)**	**21,953**	**15,965**	**5,988**
K	Other current assets and liabilities	(2,230)	(1,960)	(270)
L	Deferred current tax assets and liabilities	925	424	501
M	Provisions for risks and employee benefits	(3,684)	(3,901)	217
N	Deferred tax liabilities	(2)	(17)	15
O	Other non-financial assets and liabilities	(222)	-	(222)
P	**NET INVESTED CAPITAL (D+J+K+L+M+N+O)**	**37,931**	**26,988**	**10,943**
Q	**NET DEBT**	**20,403**	**11,062**	**9,341**
R	**SHAREHOLDERS' EQUITY**	**17,528**	**15,926**	**1,602**
	Total Shareholders' Equity of parent company shareholders	*17,528*	*15,926*	*1,602*
	Shareholders' Equity of non-controlling interests	-	-	-
	FINANCING SOURCES	**37,931**	**26,988**	**10,943**

Non-Current Assets recorded a significant increase of Euro 4,714,000 compared to the previous year, mainly due to the investments made for the construction of the new production site and capitalisation of development expenses.

Operating Working Capital increased by a total of EUR 5,988,000 compared to the previous year.
The most significant changes in assets concern:

- the overall increase in the value of inventories of Euro 8,713,000 due to the significant increase in production activities in progress (*work in progress*) and the increase in inventories as the Group decided to anticipate acquisitions to limit risks in the supply chain;
- advances from customers decreased by Euro 1,516,000 compared to the previous FY. This item includes, on the one hand, payments on account received and, on the other hand, the amount invoiced for sales of machinery that has not yet been installed and is not recognised as revenue. In the financial year, advances received increased by Euro 1,797,000, driven by the growth in orders, while the share of advances invoiced on orders awaiting installation decreased by Euro 3,313,000;
- the reduction in trade receivables for Euro 2,164,000, due to the decrease in collection times and the release of receivables whose payment, at the end of the previous year, was delayed for reasons related to the pandemic crisis;
- The increase in trade payables of Euro 2,539,000 is mainly due to the Group's decision to increase purchases and related inventories to avoid raw material procurement problems in reference markets.

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

	NET DEBT *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**
A	Cash	52	38	14
B	Bank deposits	9,813	9,141	672
C	Other cash and cash equivalents	-	-	-
D	***Liquidity (A+B+C)***	***9,865***	***9,179***	***686***
E	***Other current financial receivables***	***130***	***-***	***130***
F	***Other financial assets available***	***1,510***	***1,472***	***38***
G	Current bank payables	3,814	3,106	708
H	Current account of non-current borrowings	4,341	3,466	875
I	Current account of Bonds issued	(24)	358	(382)
J	Other current financial payables	-	-	-
K	Current financial liabilities deriving from application of IFRS16	754	697	57
L	***Current financial borrowings (G+H+I+J+K)***	***8,885***	***7,627***	***1,258***
M	***Current net financial position (credit)/debit (L-D-E-F)***	***(2,620)***	***(3,024)***	***404***
N	Other non-current financial receivables	(569)	-	(569)
O	Non-current bank payables	15,015	11,239	3,776
P	Non-current account of Bonds issued	4,932	-	4,932
Q	Other non-current financial payables	-	-	-
R	Non-current financial liabilities deriving from application of IFRS16	3,645	2,847	798
S	***Non-current financial debt (N+O+P+Q+R)***	***23,023***	***14,086***	***8,937***
T	**Net debt (credit)/debit (M+S)**	**20,403**	**11,062**	**9,341**
	of which for payables from the application of IFRS16	*4,399*	*3,544*	*855*
	of which debt at net of the application of IFRS16	***16,004***	***7,518***	***8,486***

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

SUMMARY OF CASH FLOWS *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**
Cash flow from operations	(2,628)	3,687	(6,315)
Cash flow from investment management	(7,628)	(4,438)	(3,190)
Flow from banking and financing activities	10,674	1,330	9,344
Flow on Capital	268	3,880	(3,612)
Total cash flow	**686**	**4,459**	**(3,773)**

As of 31/12/2022, the **Net Financial Indebtedness of the OSAI Group** was Euro 20,403 thousand and worsened by Euro 9,341 thousand compared to Euro 11,062 thousand as of 31/12/2021. Net of the effect of IFRS 16, the change was Euro 8,486,000. The increase in financial exposure is mainly related to the need to finance real estate investments for the construction of new production facilities for about Euro 2,300 thousand and to the dynamics of working capital, which absorbed liquidity for about Euro 6,000 thousand. The change in working capital is partly related to the increase in inventory and partly to the increase in production.

Economic 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 *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Sales revenue	31,468	38,735	(7,267)	-19%
Variation of operating inventory	7,793	(9,925)	17,718	-179%
Other income	3,067	3,711	(644)	-17%
Value of production	**42,328**	**32,521**	**9,807**	**30%**
Material purchases and external processing	(18,055)	(11,585)	(6,470)	56%
Gross Margin	**24,273**	**20,936**	**3,337**	**16%**
Personnel costs	(14,219)	(12,449)	(1,770)	14%
Other operating costs	(6,248)	(4,306)	(1,942)	45%
Gross operating margin (EBITDA)	**3,806**	**4,181**	**(375)**	**-9%**
Amortization, depreciation & write-downs	(2,096)	(2,666)	570	-21%
Non-recurring income and charges	-	(250)	250	-100%
Operating profit (EBIT)	**1,710**	**1,265**	**445**	**35%**
Financial income and charges	(775)	(727)	(48)	7%
Pre-tax profit (loss)	**935**	**538**	**397**	**74%**
Income taxes	(97)	340	(437)	-129%
Net profit/(loss)	**838**	**878**	**(40)**	**-5%**

	STATEMENT OF FINANCIAL POSITION *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**
A	Tangible and intangible fixed assets	19,691	14,975	4,716
B	Investments and other non-current assets	1,712	1,449	263
C	Deferred tax assets	564	823	(259)
D	**NON-CURRENT ASSETS (A+B+C)**	**21,967**	**17,247**	**4,720**
E	Inventories	31,217	22,504	8,713
F	Trade receivables	9,586	11,461	(1,875)
G	Trade payables	(8,999)	(6,343)	(2,656)
H	Advances from customers	(10,592)	(12,078)	1,486
I	Advances to suppliers	676	213	463
J	**OPERATING WORKING CAPITAL (E+F+G+H+I)**	**21,888**	**15,757**	**6,131**
K	Other current assets and liabilities	(2,188)	(1,938)	(250)
L	Deferred current tax assets and liabilities	920	419	501
M	Provisions for risks and employee benefits	(3,684)	(3,901)	217
N	Deferred tax liabilities	(2)	(17)	15
O	Other non-financial assets and liabilities	(222)	-	(222)
P	**NET INVESTED CAPITAL (D+J+K+L+M+N+O)**	**38,679**	**27,567**	**11,112**
P	**NET DEBT**	**20,830**	**11,201**	**9,629**
Q	**SHAREHOLDERS' EQUITY**	**17,849**	**16,366**	**1,483**
	FINANCING SOURCES	**38,679**	**27,567**	**11,112**

	NET DEBT *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**
A	Cash	52	38	14
B	Bank deposits	9,386	9,002	384
C	Other cash and cash equivalents	-	-	-
D	***Liquidity (A+B+C)***	***9,438***	***9,040***	**398**
E	***Other current financial receivables***	***130***	**-**	**130**
F	***Other financial assets available***	***1,510***	***1,472***	**38**
G	Current bank payables	3,814	3,106	708
H	Current account of non-current borrowings	4,341	3,466	875
I	Current account of Bonds issued	(24)	358	(382)
J	Other current financial payables	-	-	-
K	Current financial liabilities deriving from application of IFRS16	754	697	57
L	***Current financial borrowings (G+H+I+J+K)***	***8,885***	***7,627***	**1,258**
M	***Current net financial position (credit)/debit (L-D-E-F)***	***(2,193)***	***(2,885)***	**692**
N	Other non-current financial receivables	(569)	-	(569)

O	Non-current bank payables	15,015	11,239	3,776
P	Non-current account of Bonds issued	-	-	-
Q	Other non-current financial payables	4,932	-	4,932
R	Non-current financial liabilities deriving from application of IFRS16	3,645	2,847	798
S	***Non-current financial debt (N+O+P+Q+R)***	***23,023***	***14,086***	**8,937**
T	**Net debt (credit)/debit (M+S)**	**20,830**	***11,201***	**9,629**
	of which for payables from the application of IFRS16	*4,399*	*3,544*	855
	of which debt at net of the application of IFRS16	***16,431***	**7,657**	**8,774**

SUMMARY OF CASH FLOWS *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**
Cash flow from operations	(2,911)	4,062	(6,972)
Cash flow from investment management	(7,628)	(4,407)	(3,222)
Flow from banking and financing activities	10,674	1,288	9,386
Flow on Capital	263	3,840	(3,577)
Total cash flow	**398**	**4,783**	**(4,385)**

INVESTMENTS

The major investment items for FY 2022 are shown below.

New production sites

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

During the financial year, construction work began on the plot of land purchased by the Group in 2021. It is expected that the work can be completed during the second half of 2023, providing the Group with new areas of 4,000 sqm. In order to finance the construction of the new *plant*, a EUR 5 million loan granted by Intesa Sanpaolo and assisted by SACE through a SACE Guarantee Italy and a further EUR 2.5 million loan granted by Unicredit through a SACE Green guarantee were signed in 2022.

In addition, in order to support the realisation of further investments in the service of production growth, on 29/12/2022 the Parent Company issued a non-convertible bond (so-called *basket bond*), approved by the Board of Directors on 15/12/2022, with a nominal value of €5 million and a duration of 6 years.

Research and development activities

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

As in previous years, significant investments were made in 2022 in projects focused on designing new and innovative machinery and equipment as well as in developing new industrial processes for technological innovation.

A total of €2,320,000 was spent on innovation and research activities, fully capitalised by the Parent Company, slightly down from €2,537,000 in 2021.

Seven project clusters were identified, each identifying a certain type of activity, market of interest or end application. Each cluster encompasses one or more projects related to the general topic of the cluster.

Acronym	*Title*	Description
P0021-STH	*Semiconductor Testing Handling*	Activities related to the semiconductor industry, particularly to conditioning and testing technologies for MEMS sensors or power modules. Conception and design of machine-integrating or prototype solutions for pre-series production.
P0023-SCA	*Silicon Carbide Addition*	Activities related to the conception, design and implementation of a system for silicon *carbide addition* processes for applications related to power electronics and automotive.
P0025-EMF	*e-Mobility Factory*	Activities related to the field of electric mobility, particularly with reference to implementation of systems for the production, testing, inspection, and validation of electric handling components or systems.
P0026-MED	*Biomedical Automation*	Activities related to innovative applications or integrating advanced technologies, such as state-of-the-art laser systems, to medical products or systems.
P0027-CEA	*Circular Economy Automation*	Activities related to the *circular economy* sector, particularly the recovery of precious metals from WEEE waste. Design and implementation of systems equipped with advanced vision stations, analysis and control techniques with artificial intelligence, and expert vision systems for selective recognition and segregation.
P0028-HTA	*High Tech Automation*	Activities related to the field of automation applied to high-tech technologies or sectors, or integrating high-tech solutions, for example based on artificial intelligence systems and human-robot collaboration. Design, validation and implementation of solutions that can be integrated into automation systems, or scalable solutions for pre-series production.
P0029-CRA	*Cross Activities*	Cross-cutting activities with spillovers, developments or potential for integration across two or more project clusters. Feasibility studies, conceptualization of innovative solutions and validation of systems to be integrated on advanced automation systems potentially applicable to different industries.

Environment

The OSAI Group does not operate in a sector at risk in terms of environmental issues and no environmental issues were detected in 2022.

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 environmental sustainability a relevant factor in its strategies. On 31/05/2022, the second OSAI Group Sustainability Report was published, reporting on the results achieved and the commitment made to increase performance.

More information will be made available in OSAI's 2022 Sustainability Report to be published in 2023.

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 that have occurred in past years, the Group has been very quick to ensure the continuity and protection and safety of its employees, maintaining an internal *task force* to identify emergency measures to be taken and ensure their operability. 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.

In the course of the 2022 financial year, with the gradual decrease in infection rates and the relaxation of general protection measures, the Group consequently discontinued the emergency measures it had adopted, which may however be reactivated in the future in the event of a resurgence of the pandemic situation.

On the other hand, there has been no change in the enhancement of *agile work*, which is an increasingly popular way of working for staff. On 01/09/2022, the first company regulation for Agile Working came into force, on an experimental basis, which will last until 30/06/2023. The Regulation, which complies with the Italian legislation on Agile Work (L.81/2017 as amended), represents a fundamental step towards the adoption of Agile Work as an ordinary working mode fully integrated into business processes.

The Group is also committed to guaranteeing, as it did in previous years, the certainty of employment and remuneration to its staff, defining, as it did in 2020, specific social policies and virtuously choosing not to adopt social shock absorbers such as the redundancy fund, thus favouring the serenity of its staff and their families. This commitment can be ascribed to the temporary and exceptional willingness to make itself the assignee of tax credits related to building bonuses for its employees and collaborators.

Regarding the company's workforce, in 2022, the Group further increased its human resources by adding 26 new employees, most of whom were employed to strengthen the central functions. The organisational structure continues its evolution with the progressive definition of new responsibilities and assignments, particularly in the Legal and Corporate Affairs, Administration Control and Finance and Innovation and Development functions.

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

Category	**Company employees at 31/12/2021**	**Hires**	**Dismissals**	**Level changes**	**Company employees at 31/12/2022**	**Number of employees AVERAGE**
Executives	6	-	-	-	6	6
Middle Managers	9	1	-	2	12	11
Office workers	161	20	(10)	(2)	169	167
Blue collar workers	25	5	(1)	-	29	27
Total Employees	**201**	**26**	**(11)**	**-**	**216**	**211**

Safety in the workplace

Total safety in the workplaces expenses incurred by the OSAI Group in 2022 amount to approximately Euro 69,000. 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 in 2023.

RELATED-PARTY TRANSACTIONS

Generally speaking, it can be said 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 Group's ordinary business.

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

RISK MANAGEMENT OF THE OSAI GROUP

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 customers 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 2022.

Liquidity risk

Liquidity risk is the risk that sees the company unable to honour 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 aims to limit this volatility by identifying a balanced mix of loans.

This volatility is also mitigated in the current financial environment, which has led to a significant increase in interest rates.

- **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, *commodity* price risk, i.e. the market risk linked to changes in raw material prices, has become significant in the last period.

The Group has implemented a sales price revision strategy to mitigate the impact of increases, considering that there may be time lags between raw material price increases and sales price adjustments, resulting in lower operating margins.

- **Procurement Risk:**

In a still critical international context, with difficulties in the raw materials and logistics sector, at the financial statements date the OSAI Group was experiencing critical impacts on the procurement timing of certain materials necessary for the production of its products, specifically, the electronic components that equip the products supplied by the Group.

The OSAI Group continues to invest in expanding its supplier base by anticipating, where possible, the procurement of standard electronic components from stock. The global effects of the crisis, particularly in semiconductors, impact production and thus the delivery times of some products.

In addition, actions are defined in the contractual phase with customers to contain delivery times by appropriately managing product configurations in order to reduce the risk of future interruptions.

- **Risk of *default* and of *covenant*:**

During the year, it subscribed to a non-convertible debenture loan (so-called *basket bond*) that includes covenants linked to the ratios between Net Financial Position, EBITDA and Shareholders' Equity, which were met at year-end.

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 risk related to higher energy costs

From the second half of 2022 onwards, there was a considerable 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 in renewable energy, made in previous years, allow the Group to maintain a high level of consumption of self-produced energy, sheltering the OSAI Group from most of the negative effects of fluctuations in energy costs.

SHARE PERFORMANCE

During the 2022 financial year, the share value of the parent company OSAI Automation System S.p.A. went from a unit value of EUR 4.88 as of 03/01/2022 to a value of EUR 3.305 per share as of 30/12/2022.

On 07/03/2022 the share reached its lowest value of the period, equal to €2.58 per share, compared to a maximum value of €4.99 reached on 05/01/2022.

The share performance was greatly affected by the macroeconomic trend during the period.

SHAREHOLDER STRUCTURE

As at 31/12/2022, the share capital of OSAI A.S. S.p.A. amounted to EUR 1,612,720.70, divided into 16,127,207 ordinary shares with no par value. 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
Mirella Ferrero	8,254,000	51.18%	51.18%
Eiffel Investment Group	883,400	5.48%	5.48%
Market [1]	6,989,807	43.34%	43.34%

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

Basic earnings per share

The calculation of the basic earnings per share as at 31/12/2022, positive for EUR 0.06 (unchanged from 31/12/2021), is the result attributable to the shareholders of the parent company, divided by the weighted average number of outstanding ordinary shares.

BASIC EARNINGS PER SHARE	**31/12/2022**	**31/12/2021**
Net profit/loss of Parent Company shareholders (*Euro/000*)	952	906
Weighted average of common shares	16,009,962	15,183,909
Basic earnings per share (*Euro*)	0.06	0.06

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 is not subject to management and coordination activities by companies or entities and defines its general strategic and operational guidelines independently.

APPLICATION OF LEGISLATIVE DECREE 231/2001

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

The 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 Board 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 behaviour that does not comply with the Model.

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

On 12/03/2022, the parent company's Board of Directors appointed the Supervisory Board, which consists of three members from outside the company. The Supervisory Board will remain in office until the approval of the Annual Report 2022.

In order to take into account changes in the regulatory context, intervening changes in the organisational structure or what emerged during the audits on its application, the Model was subject to an initial update approved by the Board of Directors on 27 May 2022.

On 23/01/2023, the Supervisory Board submitted its 2022 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 implemented by the parent company.

BUSINESS OUTLOOK

During 2022, the OSAI Group has shown great resilience and responsiveness by maintaining positive margins and a slightly higher operating profit than in 2021 and with excellent development prospects thanks to a consolidated order backlog as of 31/12/2022 that is close to Euro 37 million and excellent prospects dictated by positively evolving market scenarios.

Research and development investments sustained in 2022 will enable the Group to expand its product *portfolio* in the field of Semiconductors in 2023, with innovative systems aimed at *burn-in automation*, intended for testing chips for the electric car, and automation in the production processes of *Silicon Carbide* (SiC), an indispensable material for the microchips of the future, with the realisation and delivery to the market of new applications.

Important prospects with the Automation, Electronics and Applied Laser divisions will be in the field of e-mobility, where the Group is involved in many applications for the electric car, such as the assembly and testing of battery packs and many innovative components essential for the ongoing energy transition. Further consolidation in the medical market by the Group will occur through the development of new applications for customers acquired by the Automation Division.

Lastly, the application of automation to the world of recycling represents a new challenge and great business opportunity for the OSAI Group, both through the commercialisation of the Re4M project, which will see the first plant installed in Italy during 2023, and through new applications currently being studied stimulated by collaborations, some of which have already been entered into with the main *players* involved in the world of the circular economy in Italy.

Particularly important in 2023 will be investments in the expansion of production areas intended to support growth with real estate operations that are indispensable to guarantee tranquillity and operational stability with consequent impacts on the Group's financial position. In addition to investments in research, development and innovation, the Group will continue its commitment to sustainability with ambitious targets in the fight against climate change, such as decarbonisation, in accordance with European regulations.

The opportunities described, notwithstanding the existing uncertainties dictated by the current geo-political situation and its evolution and impact on the markets, will constitute the new variables on which to define the Group's growth in the coming years, which expects in the next financial year to further increase the value of production according to the potential of the current structure, supported by a *supply chain* that is expected to progressively improve, and with a consequent increase in prospective margins.

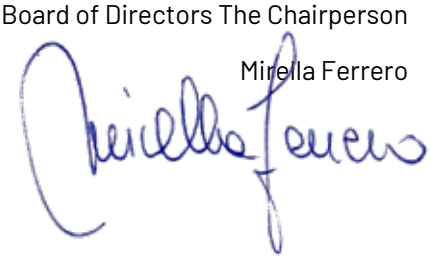
PROPOSAL FOR THE ALLOCATION OF THE PARENT COMPANY'S PROFIT FOR THE YEAR

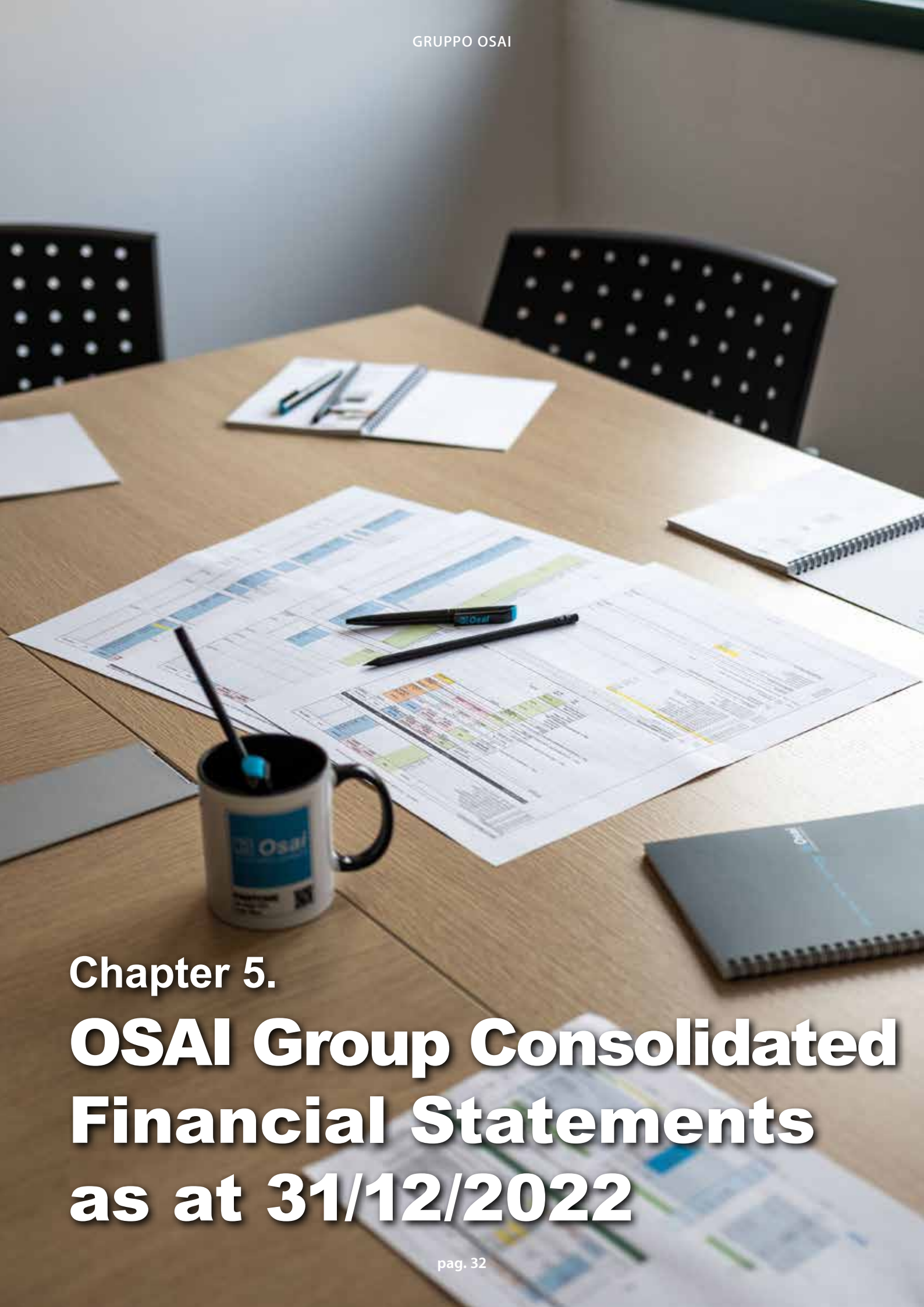
We invite you to proceed with the approval of the draft financial statements of the parent company as of 31/12/2022, which ends with a profit for the year equal to EUR 837,658.16 and to allocate:

- to the Legal Reserve an amount equal to Euro 42,000.00;
- to Reserve for Unrealised Exchange Gains in the amount of Euro 325.78;
- the residual amount of Euro 795,332.38 to be carried forward.

For the Board of Directors The Chairperson

Mirella Ferrero





Chapter 5.

OSAI Group Consolidated Financial Statements as at 31/12/2022

Consolidated statement of financial position

(Euro/000)	Note	31 December 2022	31 December 2021
ASSETS			
NON-CURRENT ASSETS			
- Property, plant and equipment	1	14,411	11,622
- Intangible Assets	2	5,304	3,384
- Shareholdings	3	226	126
- Non-current financial assets	4	629	48
- Other non-current receivables	5	679	516
- Deferred tax assets	6	571	829
TOTAL NON-CURRENT ASSETS		**21,820**	**16,525**
CURRENT ASSETS			
- Inventories	7	31,172	22,459
-Trade receivables	8	9,402	11,566
- Current taxes receivable	9	1,312	801
- Other short-term receivables	5	1,382	723
- Current financial assets	4	1,579	1,424
- Cash and cash equivalents	10	9,865	9,179
TOTAL CURRENT ASSETS		**54,712**	**46,152**
TOTAL ASSETS		**76,532**	**62,677**
LIABILITIES			
SHAREHOLDERS' EQUITY			
-Share capital	11	1,613	1,599
-Share premium reserve	11	8,677	8,428
- Legal Reserve	11	257	213
- Reserve for unrealized foreign currency exchange gains	11	-	-
- Cash Flow Hedge reserve	11	-	-
FTA Reserve	11	(1,683)	(1,683)
- Other Components of Shareholders' Equity	11	223	(159)
- Conversion reserve	11	1	(4)
- Retained earnings/(losses) carried forward	11	7,488	6,626
- Profit (loss) for the period	11	952	906
TOTAL SHAREHOLDERS' EQUITY		**17,528**	**15,926**
Shareholders' Equity of parent company shareholders		***17,528***	***15,926***
Shareholders' Equity of non-controlling interests		**-**	**-**
NON-CURRENT LIABILITIES			
- Long-term borrowings	12	15,015	11,239
- Employee benefits	13	3,212	3,479
- Other non-current payables	14	221	-
- Deferred tax liabilities	15	2	17
- Other non-current financial liabilities	16	4,932	-
- Non current-payables under IFRS16	17	3,645	2,847
TOTAL NON-CURRENT LIABILITIES		**27,027**	**17,582**
CURRENT LIABILITIES			
- Short-term borrowings	12	8,155	6,572
- Other current financial liabilities	16	(24)	358
- Trade payables	14	8,697	6,158
- Current taxes payable	18	387	377
- Other current payables	14	13,536	14,585
- Provisions for risks and charges	19	472	422
- Payables current under IFRS16	17	754	697
TOTAL CURRENT LIABILITIES		**31,977**	**29,169**
TOTAL LIABILITIES		**76,532**	**62,677**

Consolidated income statement

(Euro/000)	Note	31 December 2022	31 December 2021
- Total sales	**20**	**31,646**	**38,827**
- Change in finished goods and W.I.P. stock	20	7,793	(9,925)
- Other operating revenues	21	3,070	3,711
VALUE OF PRODUCTION		**42,509**	**32,613**
- Product cost (raw materials and external processing)	22	(18,057)	(11,587)
Gross Margin		**24,452**	**21,026**
- Personnel expenses	23	(14,482)	(12,671)
- Other operating costs	24	(6,049)	(4,119)
Gross operating margin (EBITDA)		**3,921**	**4,236**
- Write-downs, depreciation and amortization	25	(2,103)	(2,671)
Operating income of ordinary operations		**1,818**	**1,565**
- Non-recurring expenses/(charges)	26	-	(250)
Operating profit (EBIT)		**1,818**	**1,315**
- Financial Income/(Expenses)	27	(769)	(749)
Earnings before taxes (EBT)		**1,049**	**566**
- Income taxes	28	(97)	340
Net profit/(loss) for the period		**952**	**906**
of which attributable to Parent company shareholders		*952*	*906*
of which attributable to non-controlling interests		-	-

Consolidated statement of comprehensive income

(Euro/000)	31 December 2022	31 December 2021
Net profit/(loss) for the period	**952**	**906**
Actuarial gains (losses) on defined benefit plans	601	(182)
Tax effect	(145)	51
Total other comprehensive income/(loss) not subsequently reclassified in the income statement, at net of the tax effect	**456**	**(131)**
Financial instruments measured at *fair value* FVOCI	(96)	27
Tax effect	23	(6)
Gains/(losses) on conversion of financial statements of foreign companies	5	41
Total other comprehensive income that will be subsequently reclassified in the income statement at net of the tax effect	**(68)**	**62**
NET COMPREHENSIVE INCOME FOR THE PERIOD	**1,340**	**837**
of which attributable to Parent company shareholders	*1,340*	*837*
of which attributable to non-controlling interests	-	-

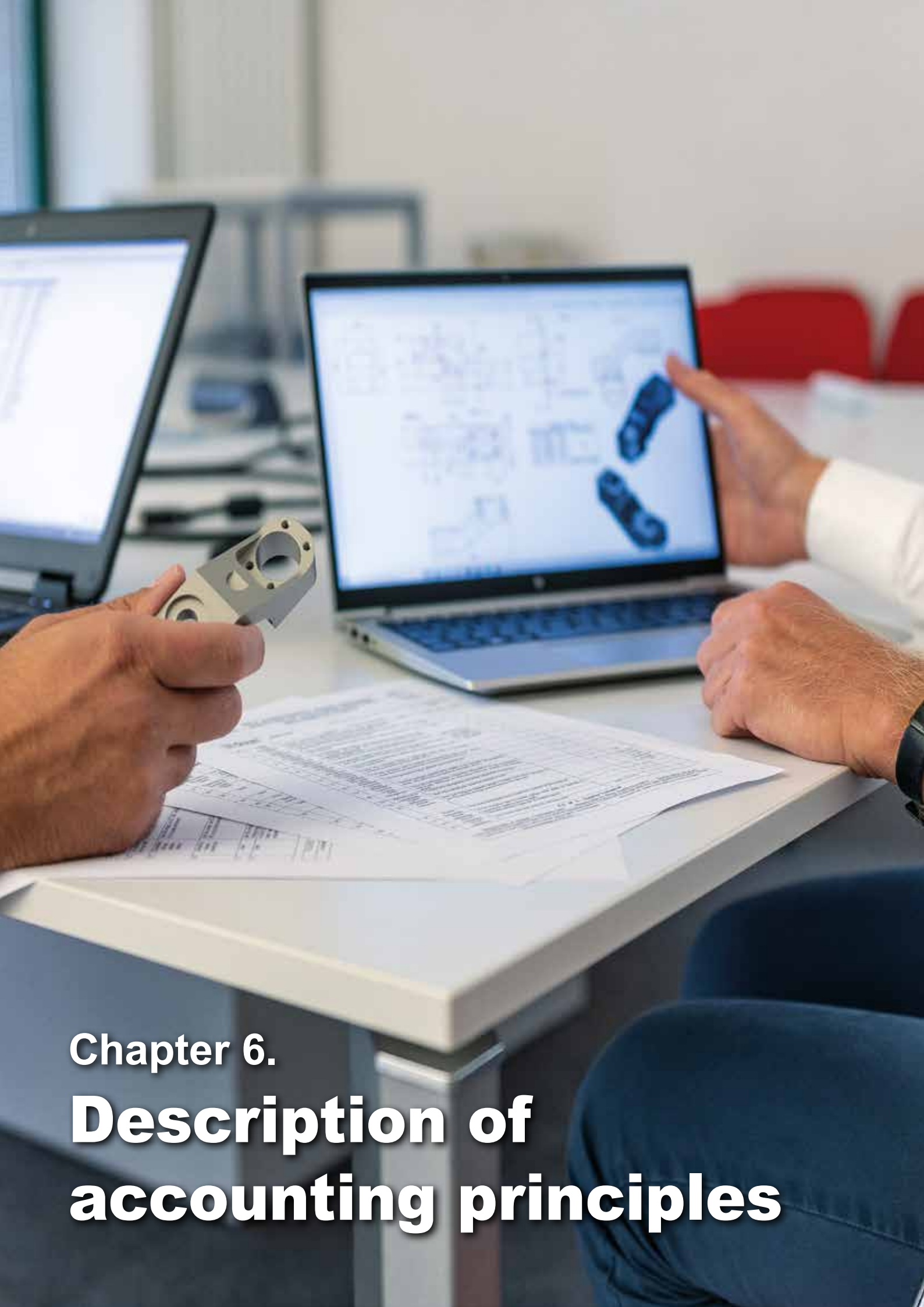
Statement of changes in consolidated equity

STATEMENT OF CHANGES IN EQUITY (*Euro/000*)	**SHARE CAPITAL**	**SHARE PREMIUM RESERVE**	**LEGAL RESERVE**	**RESERVE FOR ADJUSTMENTS TO FV DERIVATIVES**	**FTA RESERVE**	**OTHER RESERVES**	**CONVERSION RESERVE**	**PROFIT/(LOSS) CARRIED FORWARD**	**RESULT FOR THE PERIOD**	**SHAREHOLDERS' EQUITY**	***of which: parent company shareholders equity***	***of which: minority shareholders equity***
Balance as at 01/01/2021	***1,400***	***4,787***	***200***	***(24)***	***(1,683)***	***(48)***	***(48)***	***5,680***	***963***	***11,227***	***11,227***	***-***
Dividends paid out	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of profit/(loss) for the previous period	-	-	13	-	-	-	-	950	(963)	-	-	-
Increase in share capital	199	3,641	-	-	-	-	-	-	-	3,840	*3,840*	-
Other transactions	-	-	-	24	-	-	2	(4)	-	22	*22*	-
Overall result for the period	-	-	-	-	-	(111)	42	-	906	837	*837*	-
Balance at 31/12/2021	***1,599***	***8,428***	***213***	***-***	***(1,683)***	***(159)***	***(4)***	***6,626***	***906***	***15,926***	***15,926***	***-***
Dividends paid out	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of profit/(loss) for the previous period	-	-	44	-	-	-	-	862	(906)	-	-	-
Increase in share capital	14	249	-	-	-	-	-	-	-	263	*263*	-
Other transactions	-	-	-	-	-	(1)	-	-	-	(1)	*(1)*	-
Overall result for the period	-	-	-	-	-	383	5	-	952	1,340	*1,340*	-
Balance as at 31/12/2022	**1,613**	**8,677**	**257**	**-**	**(1,683)**	**223**	**1**	**7,488**	**952**	**17,528**	***17,528***	***-***

Consolidated statement of cash flows

(Euro/000)	**31 December 2022**	**31 December 2021**
Net profit/(loss)	**952**	**906**
Adjustments *(sub-total)*	***(3,580)***	***2,781***
Amortization, depreciation and write-downs of fixed assets	2,103	2,586
(gains) losses on disposal of fixed assets	(1)	(1)
Value adjustments to equity investments	-	-
Other adjustments for non-monetary items	(3)	(3)
Change in tax assets/liabilities for prepaid/deferred taxes	243	(432)
Changes in personnel-related provisions	189	263
Change in other provisions for risks and write-downs	(13)	222
Changes in inventories	(8,650)	9,724
Change in trade receivables	2,164	(1,909)
Changes in trade payables and advances	1,023	(6,979)
Net change in other non-financial assets/liabilities	(635)	(690)
Cash flow from operations (A)	**(2,628)**	**3,687**
Cash Flow from investment activities		
- Investments in:		
Tangible assets	(5.068)	(3,114)
Intangible fixed assets	(2.467)	(1,303)
Investments	(100)	(25)
- Realization from the sale of:		
Tangible assets	7	4
Intangible fixed assets	-	-
Investments	-	-
Cash flow from investment management (B)	**(7,628)**	**(4,438)**
Cash Flow from financing activities		
Changes in receivables and other financial assets	(810)	(186)
Changes in payables and other financial liabilities	6,125	(293)
Changes in short-term payables to banks	(401)	340
Loan repayments	(2,481)	(4,141)
Financing	8,241	5,610
Flow from banking and financing activities	***10,674***	***1,330***
Capital increase and share premium	263	3,840
Dividends paid	-	-
Change in reserves and other shareholders' equity components	5	40
Flow on Capital	***268***	***3,880***
Financial management flow (C)	**10,942**	**5,210**
Total cash flow (D=A+B+C)	**686**	**4,459**
Cash and cash equivalents at beginning of period (E)	**9,179**	**4,720**
Cash and cash equivalents at end of period (F=D+E)	**9,865**	**9,179**

Additional disclosures for the Statement of Cash Flows		
Values in Euro thousands		
Income taxes paid	1	21
Interest paid	732	880



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."

The Consolidated Financial Statements of the OSAI Group for the year ended 31/12/2022 were approved by the Board of Directors on 27/03/2023, are audited by BDO Italia S.p.A. and will be submitted to the shareholders' meeting.

Principles 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;

It is specified that, on 18/10/2022, Osai Green Tech Società Benefit S.r.l. was established, 100% owned by the Parent Company. The new subsidiary will close its first balance sheet on 31/12/2023 and has been valued at cost within the item Investments.

Other companies

Investments where the OSAI 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 2022 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.

Business continuity

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 order book consistency;
- 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 Formats

In relation to the Consolidated Financial Statements formats, the Group has elected to use the statements 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 interim 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 equity item 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 calculated by adjusting the profit and loss for the effects of:
    - non-monetary items such as amortization and write-downs;
    - 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	31/12/2022	31/12/2021
USD - US Dollar	1.0666	1.1326
Renminbi - China	7.352	7.1947

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

Average exchange rates/Currency	31/12/2022	31/12/2021
USD - US Dollar	1.053	1.1827
Renminbi - China	7.0788	7.6282

Valuation Criteria

Tangible 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 financial statements 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 instalments 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 Costs

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 recognition, intangible assets with a finite useful life are recorded at cost, reduced for amortisation and '*impairment*'; intangible assets with an indefinite useful life, at cost reduced for '*impairment*' only.

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 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

Introduction

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 other liquid investments due within three months.

Financial liabilities refer to financial payables, including payables for advances on orders, assignment of receivables, and other financial liabilities to trade 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* recognised 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.

As at 31 December 2022, the Group had no derivative financial instruments outstanding.

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* recognised in the income statement (FVPL), which in turn are classified into 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 OSAI 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 different contractual obligations in proportion to their respective stand-alone *selling* prices determined on the basis of list prices.
5. Revenue recognition upon fulfilment 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 contributions

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 expenses

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 financial statements 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, prices of similar listed financial instruments are compared; for other categories of financial instruments, 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 valuations 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:

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 bad debts: provisions for bad 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 of the economic-financial conditions of an important customer, this could result in the need to adjust the provision for bad debts, with the consequent negative impact on 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, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2022

In compliance with the requirements of IAS 8 (Accounting standards, changes in accounting estimates and errors), the IFRS in force as of 1 January 2022 are briefly illustrated below.

Onerous Contracts - Costs of Performing a Contract (Amendment to IAS 37)

IAS 37 defines an onerous contract as one in which the unavoidable costs (costs that the company has committed to incur under the contract) of fulfilling the obligations under the contract exceed the economic benefits expected to be received under the contract.

The amendments to IAS 37.68A clarify that costs directly related to the contract consist of:

- the incremental costs of contract performance, e.g. direct labour and material;
- the allocation of other costs directly related to the performance of contracts: e.g. allocation of depreciation charges on property, plant and equipment used in the performance of the contract.

Property, plant and equipment - Income arising from assets before they are ready for use (amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from the sale of items produced while the entity is preparing the asset for its intended use (e.g. proceeds from the sale of samples produced during the test phase of a production facility after its construction, but before commercial production begins). The proceeds from the sale of these samples, together with production costs, are now recognised in the income statement.

Annual improvements to IFRS 2018-2020 (amendments to IFRS1, IFRS9, IFRS 16 and IAS 41)

- IFRS 1: *Subsidiary as a First-time Adopter* (FTA)
- IFRS 9: *Fees in the '10 per cent' Test for Derecognition of Financial liabilities*
- IAS 41: *Taxation in Fair Value Measurements*

References to the *Conceptual Framework* (Amendments to IFRS 3)

In May 2020, the IASB published amendments to IFRS 3, which update a reference to the *Conceptual Framework* without changing the accounting requirements for business combinations.

The adoption of these amendments/interpretations had no impact on the consolidated financial statements as of 31/12/2022.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP

There are numerous standards, amendments to standards and interpretations that have been issued by the IASB, but will be effective in future accounting periods, which the Group has decided not to apply in advance.

The following amendments are effective as of the financial year beginning 1 January 2023:

On 18/05/2017, the IASB issued the standard 'IFRS 17 - *Insurance Contracts*' to replace the current 'IFRS 4 - *Insurance Contracts*'. The new standard governs the accounting treatment of insurance contracts issued and reinsurance contracts held.

On 12/02/2021, the IASB issued the document '*Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies*'. The purpose of the amendments is to develop guidelines and examples to help companies apply a materiality judgement in the disclosure of accounting standards. The amendments to IFRS Practice Statement 2, on the other hand, provide guidance on how to apply the concept of materiality to accounting policy disclosures.

On 12/02/2021, the IASB issued the document '*Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*'. The amendments provide some clarification regarding

the distinction between changes in accounting estimates and changes in accounting policies: the former are applied prospectively to future transactions and other future events, the latter are generally also applied retrospectively to past transactions and other past events.

On 07/05/2021, the IASB issued the document '*Amendments to IAS 12 Income Taxes*: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*'. The paper addresses from a practical point of view the application of the exemption in paragraphs 15 and 24 of IAS 12 to transactions that give rise to both an asset and a liability upon initial recognition and may result in temporary tax differences of the same amount. Under the proposed amendments, the exemption from initial recognition in IAS 12 would not apply to transactions that give rise to equal and offsettable amounts of taxable and deductible temporary differences at the time of execution.

The Group is currently assessing the impact of these new accounting standards and amendments and will adopt these new standards, amendments and interpretations, based on the expected date of application.

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

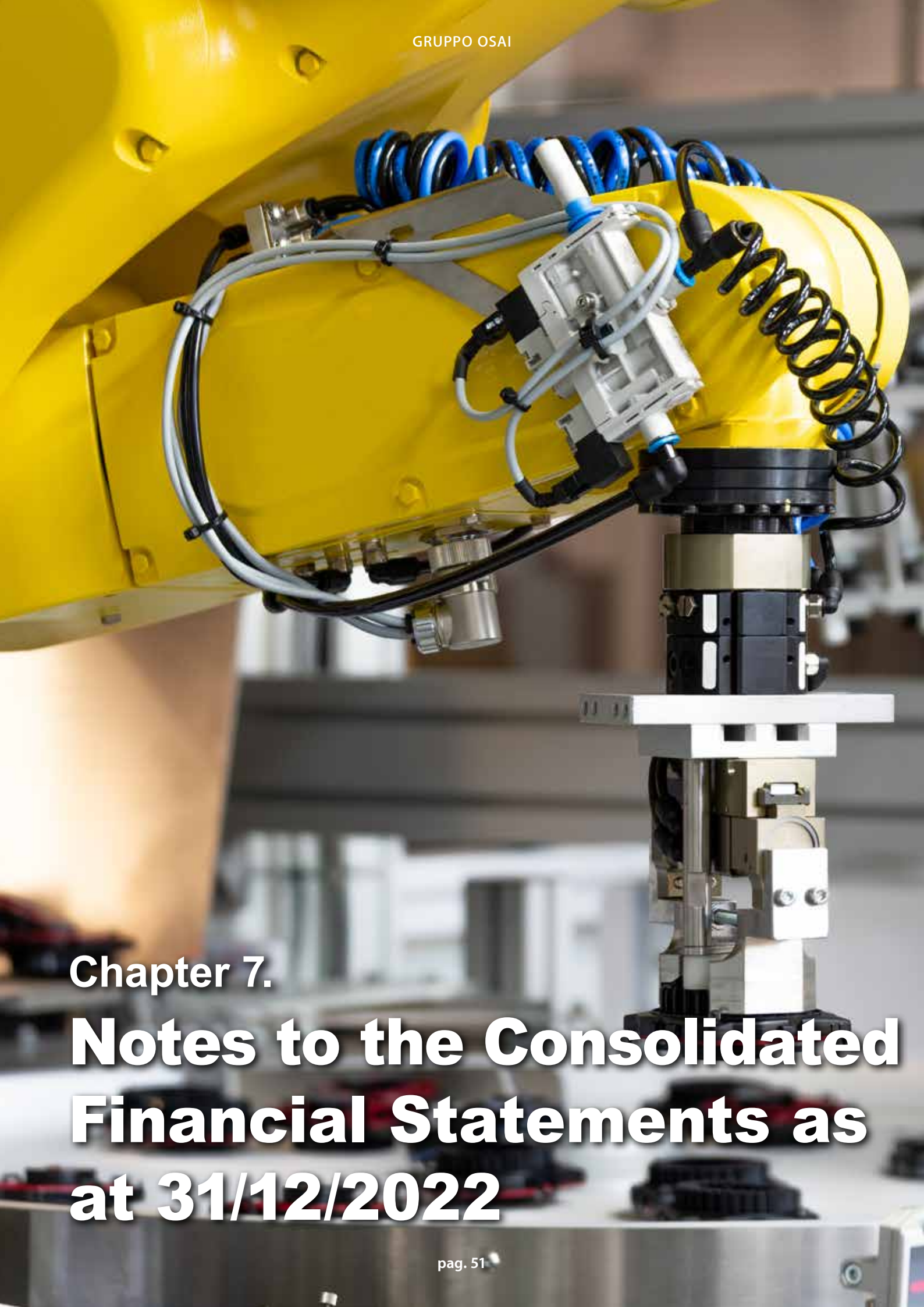
ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BY IASB AND NOT YET APPROVED BY THE EUROPEAN UNION

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.

On 23 January 2020, the IASB issued the document '*Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-*current' to clarify the requirements for classifying liabilities as 'current' or 'non-current'. More specifically, the amendments (i) specify that the conditions existing at the end of the reporting period are to be used to determine whether a right to defer settlement of a liability exists; (ii) specify that management's expectations of events after the financial statements date are not relevant; and (iii) clarify the situations to be considered as settlement of a liability;

On 27 November 2020, the IASB issued '*Amendments to IFRS 16 Lease Liability in a Sale and Leaseback*' to define how to apply paragraphs 36-28 of IFRS 16 in the subsequent measurement of the lease liability in a sale and *leaseback* transaction. More precisely, the vendor-lessee must determine the 'lease payments' or 'revised lease payments' in such a way as not to recognise any amount of profit or loss in respect of the right of use retained by the vendor-lessee;

On 31 October 2022, the IASB issued the document "*Amendments to IAS 1 Presentation of Financial Statements: non-current liabilities with covenants*" to clarify what conditions must be met for the classification of a loan subject to a short-term covenant.



Chapter 7.
Notes to the Consolidated Financial Statements as at 31/12/2022

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 *(Euro/000)*	Automation	Electronics and Laser	Semiconductors	Service	OPERATING PROFIT	Operating costs to be allocated pro-rata	Unallocated Central Services	GENERAL TOTAL
	31/12/2022	31/12/2022	31/12/2022	31/12/2022	31/12/2022	31/12/2022	31/12/2022	31/12/2022
TOTAL SALES	**4,119**	**4,405**	**19,949**	**3,173**	**31,646**	**-**	**-**	**31,646**
- Change in inventories of finished goods and work in progress	2,115	2,719	123	-	4,957	2,836	-	7,793
- Other operating revenues	-	-	-	-	-	749	-	749
VALUE OF OPERATING PRODUCTION (1)	**6,234**	**7,124**	**20,072**	**3,173**	**36,603**	**3,585**	**-**	**40,189**
- Product cost (raw materials and external processing)	(3,384)	(3,243)	(10,009)	(1,064)	(17,700)	(357)	-	(18,057)
- Sales commissions	(31)	(546)	(505)	-	(1,082)	-	-	(1,082)
MOL Level 1	**2,819**	**3,335**	**9,558**	**2,109**	**17,821**	**3,229**	**-**	**21,050**
MOL 1 Margin % (3)	**45%**	**47%**	**48%**	**66%**	**49%**	**ND**	**ND**	**52%**
- Personnel expenses	(1,053)	(387)	(1,952)	(1,008)	(4,401)	(5,707)	(4,374)	(14,481)
- Other operating costs	(80)	(201)	(387)	(193)	(861)	(216)	(3,891)	(4,968)
TOTAL FIXED COSTS (2)	**(1,133)**	**(588)**	**(2,339)**	**(1,201)**	**(5,262)**	**(5,923)**	**(8,265)**	**(19,449)**
MOL Level 2	**1,686**	**2,747**	**7,218**	**908**	**12,560**	**(2,695)**	**(8,265)**	**1,601**
MOL 2 Margin % (3)	**27%**	**39%**	**36%**	**29%**	**34%**	**ND**	**ND**	**4%**
- Operating costs to be allocated pro-rata	(426)	(504)	(1,445)	(319)	(2,695)	2,695	-	-
MOL Level 3 (2)	**1,260**	**2,243**	**5,773**	**589**	**9,865**	**(0)**	**(8,265)**	**1,601**
MOL 3 Margin % (4)	**20%**	**31%**	**29%**	**19%**	**27%**	**0%**	**ND**	**4%**
- Capitalizations	-	-	-	-	-	-	2,320	2,320
GROSS OPERATING MARGIN (EBITDA)	**1,260**	**2,243**	**5,773**	**589**	**9,865**	**-**	**(5,945)**	**3,921**
EBITDA Margin % (5)	**20%**	**31%**	**29%**	**19%**	**27%**	**ND**	**ND**	**9.22%**

(1) Value of production not including capitalizations

(2) Total fixed costs not including sales commissions

(3) Margin generated by the single 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

ECONOMIC PERFORMANCE OF THE DIVISIONS *(Euro/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 external processing)	(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)**	**(487)**	**(1,754)**	**(813)**	**(4,296)**	**(5,588)**	**(6,759)**	**(16,643)**
MOL Level 2	**1,340**	**2,557**	**9,309**	**1,029**	**14,235**	**(5,640)**	**(6,759)**	**1,836**
MOL 2 Margin % [(3)]	**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 [(2)]	**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**	**-**	**(4,359)**	**4,236**
EBITDA Margin % [(5)]	**10%**	**34%**	**36%**	**15%**	**28%**	**ND**	**ND**	**12.99%**

(1) Value of production not including capitalizations

(2) Total fixed costs not including sales commissions

(3) Margin generated by the single 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 at 31/12/2022 totalled 14,411,000 euros, up 2,789 euros from 31/12/2021.

See the table below for more detail.

PROPERTY PLANT AND EQUIPEMENT *(Euro/000)*	**LAND AND BUILDINGS**	**PLANTS AND EQUIPMENT**	**IND. AND COMMERCIAL EQUIPMENT**	**OTHER ASSETS**	**WORK IN PROGRESS**	**TOTAL**
Net value at 31/12/2020	**3,458**	**5,810**	**356**	**1,526**	**225**	**11,375**
Of which rights of use IFRS16	*3,458*	*775*	-	*1,240*	-	*5,473*
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	-	-	-	-	-	-
Net value as at 31/12/2021	**3,518**	**5,254**	**224**	**1,156**	**1,470**	**11,622**
2022 Financial Year:						
Increases	3,270	11	92	679	2,269	*6,321*
Decreases/Disposals	(1,903)	-	-	(72)	-	*(1,975)*
Reclassifications	-	1,470	(3)	3	(1,470)	-
Amortization, depreciation & write-downs	(398)	(484)	(84)	(591)	-	*(1,557)*
Currency differences	-	(2)	1	1	-	-
Net value as at 31/12/2022	**4,487**	**6,249**	**230**	**1,176**	**2,269**	**14,411**
Of which rights of use IFRS16:						
Net value as at 31/12/2021	*3,230*	-	-	*940*	-	*4,170*
Increases	*3,220*	-	-	*493*	-	*3,713*
Decreases/Disposals	*(1,903)*	-	-	*(70)*	-	*(1,973)*
Reclassifications	-	-	-	-	-	-
Amortization, depreciation & write-downs	*(398)*	-	-	*(482)*	-	*(880)*
Currency differences	-	-	-	-	-	-
Total rights of use as at 31/12/2022	**4,149**	**-**	**-**	**881**	**-**	**5,030**

The item Land and Buildings, which amounted to €4,487,000, increased by €969,000 and included:

- Land purchased in the year and in the previous year by the Parent Company for a total value of Euro 338,000;
- Rights of use on leased instrumental buildings, deriving from the application of IFRS16 for EUR 4,149,000.

The item Plant and Machinery of €6,249,000 increased by a total of €995,000 due to the completion of the in-house construction of machinery and the consequent reclassification from the item 'Assets under construction' and depreciation for the year.

The item Industrial and Commercial Equipment of Euro 230 thousand increased by a total of Euro 6 thousand.

The item Other Assets, amounting to EUR 1,176,000, increased by a total of EUR 20,000 due to purchases and depreciation for the year. It should be noted that this item includes rights of use, in application of IFRS 16, on electronic office machines and rented or leased cars in the amount of €881,000.

Assets under construction amounting to Euro 2,269 thousand increased by Euro 799 thousand due to expenses incurred for the construction of the new Samone warehouse for Euro 2,218 thousand and for the renovation of the new premises in Colleretto Giacosa for Euro 51 thousand. In addition, the construction of machinery in

progress at the end of the previous year was completed in 2022, which was reclassified to the special item for €1,470,000.
It should be noted that this item refers only to the Parent Company and that the realisation of the assets under this item was not yet completed as at 31 December 2022.

2. Intangible fixed assets

Intangible fixed assets as at 31/12/2022 were Euro 5,304 thousand, an increase of Euro 1,920 thousand compared to 31/12/2021.

See the table below for more detail.

INTANGIBLE FIXED ASSETS *(Euro/000)*	**SOFTWARE**	**DEVELOPMENT COSTS**	**PATENTS**	**WORK IN PROGRESS**	**TOTAL**
Net value at 31/12/2020	**52**	**1,722**	**14**	**1,086**	**2,874**
2021 Financial Year:					
Increases	146	-	3	1,154	1,303
Amortisation	(52)	(735)	(6)	-	(793)
Impairment and write-downs	-	-	-	-	-
Reclassifications	-	315	-	(315)	-
Rounding	-	-	-	-	-
Net value as at 31/12/2021	**146**	**1,302**	**11**	**1,925**	**3,384**
2022 Financial Year:					
Increases	147	-	-	2,320	2,467
Amortisation	(88)	(455)	(3)	-	(546)
Impairment and write-downs	-	-	-	-	-
Reclassifications	-	2,084	-	(2,084)	-
Rounding	-	-	-	(1)	-
Net value as at 31/12/2022	**205**	**2,931**	**8**	**2,160**	**5,304**

As reflected in the changes during the period, most of the increases in 2022, relate to assets under construction and development costs.

Capitalised development costs, which amounted to €2,931,000 at year-end, increased by a total of €1,629,000 and were entirely attributable to expenses incurred for the development of application technologies for automation machinery built and sold. Technological development should be considered essential and inherent to the Group's activities. In the course of 2022, projects that had previously been recorded as assets under construction were completed in the amount of EUR 2,084,000.

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. For all capitalised new project development activities, the technical feasibility and generation of probable future economic benefits were verified. 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, analysed 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, which amounted to EUR 205,000, increased by EUR 59,000 due to the implementation of the management system.

Patent rights include costs for the registration of patents and, at the end of the year, amounted to EUR 8,000.

3. Investments

Investments as of 31/12/2022 total EUR 226,000, up EUR 100,000 on 31/12/2021.

INVESTMENTS *(Euro/000)*	**Value at start of year**	**Increases**	**Write-downs**	**Net value as at 31/12/2022**
OSAI Green Tech S.B. S.r.l.	-	100	-	100
ICONA S.r.l. - Italia	100	-	-	100
CIAC S.c.r.l. - Italia	25	-	-	25
Unionfidi	1	-	-	1
TOTAL	**126**	**100**	**-**	**226**

The increase relates to the incorporation, in October 2022, of the wholly-owned subsidiary OSAI GREEN TECH Società Benefit S.r.l., with a share capital of EUR 100,000. The new investee company will close its first balance sheet on 31/12/2023, therefore, in the year ending 31/12/2022, the value, equal to the capital paid in at the time of incorporation, remains under this item.

The equity investment in ICONA S.r.l. (ICO NUOVO AMPLIAMENTO S.r.l.) refers to a 5% 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. The financial statements for the year ended 31 December 2022 show shareholders' equity of EUR 1,734,000.

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 at 31/12/2022 amount to EUR 2,208,000, up EUR 736,000 on 31/12/2021.

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

NON-CURRENT AND CURRENT FINANCIAL ASSETS *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Shares in listed companies	60	48	12	25%
Credits from the purchase of building bonuses over 12 months	569	-	569	100%
Total non-current	***629***	***48***	***581***	***1210%***
Equity and bond investment funds	1,449	1,424	25	2%
Credits from the purchase of building bonuses within 12 months	130	-	130	100%
Total Current	***1,579***	***1,424***	***155***	***11%***
GENERAL TOTAL	**2,208**	**1,472**	***736***	**50%**

Financial assets, relating to the ownership of shares in listed companies and investment funds, recorded at *fair value*, refer to:

- for the non-current portion at 18,000 shares of Banco BPM whose *fair* value as of 31/12/2022 was EUR 60,000, an increase in market value over the previous year of EUR 12,000;
- 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 item increased due to payments made during the year by €135,000 and decreased in *fair value* by €110,000.

The difference between the *fair value* at the end of the half-year and the cost incurred for 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.

This item also includes the value of receivables relating to so-called 'building bonuses', acquired by the Parent Company during the year, based on the 'incentive regulations' pursuant to Art. 121 OF LAW DECREE 34/2020

The amortised cost method was used to recognise these receivables in the financial statements and their value as at 31 December 2022 totalled EUR 699,000 (of which EUR 130,000 was due by the end of the year).

These credits may be used to offset tax and social security debts of the parent company on the due dates provided for by law.

5. Other non-current and current receivables

Other non-current and current receivables as of 31/12/2022 totalled EUR 2,061,000, up EUR 822,000 compared to 31/12/2021.

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

OTHER NON-CURRENT AND CURRENT RECEIVABLES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Security Deposits	166	134	32	24%
Tax credits over 12 months	513	382	131	34%
Total non-current	***679***	***516***	***163***	***32%***
Advances to suppliers	677	215	462	215%
Loans to employees	276	218	58	27%
Accrued income and prepaid expenses	412	273	139	51%
Miscellaneous	17	17	-	0%
Total Current	***1,382***	***723***	***659***	***91%***
GENERAL TOTAL	**2,061**	**1,239**	**822**	**66%**

6. Deferred tax assets

Deferred tax assets as of 31/12/2022 were EUR 571,000, a decrease of EUR 258,000 from 31/12/2021.

The following table shows the changes in Deferred Tax Assets during fiscal year 2022.

DEFERRED TAX ASSETS *(Euro/000)*	
Opening balance	**829**
Increases	128
Decreases	(386)
Closing balance	**571**

The composition of deferred tax assets is shown below:

DEFERRED TAX ASSETS *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Provisions to reserves not deducted	135	140	(5)	-4%
FTA-IFRS post conversion	161	232	(71)	-31%
Employee benefits (IAS 19)	37	170	(133)	-78%
Unused tax losses	140	220	(80)	-36%
Other unused tax benefits	75	53	22	42%
Fair value differences on securities	16	8	8	100%
Other temporary differences	7	6	1	17%
Total	**571**	**829**	**(258)**	**-31%**

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 31/12/2022 total EUR 31,172,000, net of provision for doubtful accounts, up by EUR 8,713,000 compared to 31/12/2021.

The following table shows the breakdown of inventories as at 31/12/2022 and 31/12/2021.

INVENTORIES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Raw materials inventories	3,517	2,660	857	32%
Provision for obsolescence of raw materials	-	(63)	63	-100%
Work in progress and semi-finished products	7,332	4,497	2,835	63%
Works in progress under contract	15,886	9,245	6,641	72%
Finished products and goods inventories	5	5	-	0%
WIP pending installation	4,432	6,115	(1,683)	-28%
TOTAL	**31,172**	**22,459**	**8,713**	**39%**

The valuation allowance during 2022 changed as follows:

INVENTORY WRITE-DOWN *(Euro/000)*	
Opening balance	***63***
Provisions for the year	-
Uses during the period	(63)
Exchange rate effect	-
Closing balance	**-**

8. Trade receivables

Trade receivables as at 31/12/2022 were EUR 9,402,000, a decrease of EUR 2,164,000 compared to 31/12/2021.

TRADE RECEIVABLES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Accounts receivable from customers	9,487	11,651	(2,164)	-19%
Gross trade receivables	***9,487***	***11,651***	***(2,164)***	**-19%**
Doubtful debt provision	(85)	(85)	-	0%
TOTAL	**9,402**	**11,566**	**(2,164)**	**-19%**

There were no changes in the depreciation reserve during 2022, as can be seen in the table below:

DOUBTFUL DEBT PROVISION *(Euro/000)*	
Opening balance	**85**
Utilizations	-
Provisions	-
Exchange rate effect	-
Closing balance	**85**

Applying the IFRS 9 principle, 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 DUE AS OF 31/12/2022 *(Euro/000)*	
To expire	5,514
Expired 0-180 days	3,564
Expired 180-365 days	402
Expired after one year	7
Total	**9,487**

It should be noted that in the first few months of 2023, almost all receivables over 180 days past due were collected, and a large part of the receivables between 60 and 180 days past due included in the group of receivables between 0 and 180 days past due were also collected.

The generally agreed payment terms are related to the final acceptance of the machinery, so with the procurement issue, collection times are extended.

9. Current tax receivables

Current tax receivables as of 31/12/2022 amount to EUR 1,312,000, up EUR 511,000 on 31/12/2021. Details are provided in the table below:

CURRENT TAX RECEIVABLES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
VAT Receivables	841	238	603	253%
Receivables and advances relating to direct taxes	7	181	(174)	-96%
Tax credits usable within 12 months	464	382	82	21%
TOTAL	**1,312**	**801**	**511**	**64%**

The high VAT credit at year-end is due to the significant taxable real estate investments made by the Parent Company during the year.

10. Cash and cash equivalents

Cash and cash equivalents as at 31/12/2022 amount to EUR 9,865,000, up EUR 686,000 compared to 31/12/2021. Details are provided in the table below:

CASH AND CASH EQUIVALENTS *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Bank accounts	9,813	9,142	671	7%
Cash and cash equivalents	52	37	15	41%
TOTAL	**9,865**	**9,179**	**686**	**7%**

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

The share capital as at 31 December 2022 amounted to Euro 1,612,720.70, divided into 16,127,207 ordinary shares without nominal value.

During the year, the share capital of the Parent Company increased by a total of EUR 14,079.80 in correspondence with the exercise windows for warrants issued at the time of listing on 31/10/2020:

- Warrant OSAI A.S. S.p.A. 2022-2025 / June 2022: Euro 120.00;
- Warrant OSAI A.S. S.p.A. 2022-2025 / October 2022: Euro 13,959.80.

Following is a reconciliation between the number of shares outstanding at December 31, 2021 and at December 31, 2022

	At 31 December 2021	**Share capital increases**	**(Purchases)/Sales of treasury shares**	**At 31 December 2022**
Ordinary shares issued	15,986,409	140,798	0	16,127,207
Minus: Own shares	0	0	0	0
Outstanding ordinary shares	**15,986,409**	**140,798**	**0**	**16,127,207**

Share premium reserve

The share premium reserve, amounting to EUR 8,677,000, rose by EUR 249,641,000 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 amounted to €257,000 and increased by €44,000 due to the allocation of the previous year's result.

Other Equity Items

Other shareholders' equity items are summarized as follows:

- FTA reserve: this item as of 31/12/2022 was negative in the amount of €1,683,000 and did not change from 31/12/2021. This item was posted on the first-time adoption of international accounting standards as of 01/01/2020;
- Reserve for actuarial gains and losses on staff severance indemnities: the item as of 31/12/2022 was positive in the amount of €267,000 and related to the effect of actuarial gains/losses on staff severance indemnities net of the tax effect, in accordance with IAS 19 *Revised*;
- FVOCI reserve: this item as of 31/12/2022 was negative for EUR 44,000 and was set aside against the recognition of valuation differences of securities at *Fair Value*.
- Translation reserve: the item as at 31.12.2022 amounted to EUR 1 thousand and increased in absolute value by EUR 5 thousand.

Retained earnings/(losses) carried forward

The item as of 31/12/2022 is equal to EUR 7,488,000 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 31/12/2021 made to the balances on the financial statements prepared in compliance with national accounting standards.

Dividends

The Company did not pay any dividends during 2022.

Result for the period

This item amounts to EUR 952,000.

Overall result for the period

The result of the comprehensive income statement, amounting to €1,340,000, is composed of the following items in addition to the profit for the period:

- Actuarial losses on employee benefits, net of the related tax effect, totalling EUR 456,000;
- Negative *fair value* differences on financial assets net of the related tax effect of €73,000;
- From the translation differences of the financial statements of the consolidated companies expressed in foreign currencies in the amount of EUR 5,000.

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

The table below shows the reconciliation of the FY 2022 and the net equity of the Group as of 31/12/2022 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 *(Euro/000)*	**NE at 31/12/21**	**Changes 2022**	**Result 2022**	**NE at 31/12/22**
Separate Financial Statements of OSAI AUTOMATION SYSTEM S.p.A.	**16,366**	**645**	**838**	**17,849**
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	(305)	7	118	(180)
Intra-group asset disposals	(18)	-	(4)	(22)
Exchange rate differences on inter-group eliminations	(1)	(2)	-	(3)

Other minor entries	-	-	-	-
Consolidated Financial Statements of the OSAI Group	**15,926**	**650**	**952**	**17,528**

Finally, total shareholders' equity of Euro 17,528,000 is entirely attributable to the Parent Company's shareholders.

12. Current and non-current financing

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

Non-Current Loans total Euro 15,015,000, up Euro 3,776,000 from 31/12/2021.

Current loans total Euro 8,155,000, up Euro 1,583,000 compared to 31/12/2021.

The following is a breakdown of the Group's bank exposure outstanding as at 31/12/2022:

CURRENT AND NON-CURRENT FINANCING *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Loans and other financing - non-current portion	15,015	11,239	3,776	34%
Total non-current financing	***15,015***	***11,239***	***3,776***	***34%***
Short-term payables to credit institutions	3,814	3,106	708	23%
Loans and other financing - current portion	4,341	3,466	875	25%
Total current financing	***8,155***	***6,572***	***1,583***	***24%***
TOTAL	**23,170**	**17,811**	**5,359**	**30%**

Compared to the financial statements as at 31/12/2021, the Group's financial debt increased by a total of Euro 5,359,000.

During 2022, the Group took out three new loans for a total amount of EUR 8,241,000.

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

BORROWINGS FROM BANKS AND OTHER FINANCING - CHANGE *(Euro/000)*	
Payables to banks and other current loans as at 31/12/2021	6,572
Payables to banks and other non-current loans as at 31/12/2021	11,239
Payables to banks and other loans at 31/12/2021	**17,811**
Stipulation of new financing	8,241
Loan repayments	(2,481)
Change in credit line payables	(401)
Payables to banks and other loans at 31/12/2022	**23,170**
of which:	
Payables to banks and other current loans as at 31/12/2022	8,155
Payables to banks and other non-current loans as at 31/12/2022	15,015
Payables to banks and other loans at 31/12/2022	**23,170**

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

Financing details	***Deadline***	***Current share*** *(Euro/000)*	***Non-current share*** *(Euro/000)*	***Total*** *(Euro/000)*
BANCA D'ALBA - SACE Guarantee	31/12/2023	159	-	159
BANCO BPM - MCC Guarantee	30/09/2023	238	-	238
INTESA SAN PAOLO	24/05/2024	206	106	312
BANCO BPM	31/01/2025	532	595	1,127
CASSA DI RISPARMIO DI BRA	07/12/2023	164	-	164
INTESA SAN PAOLO - MCC Guarantee	30/09/2025	241	439	680
BANCA D'ALBA - SACE Guarantee	30/09/2026	197	546	743
BANCO BPM - MCC Guarantee	10/06/2024	337	172	509
BANCA D'ALBA - MCC Guarantee	23/07/2025	111	179	290
INTESA SAN PAOLO - MCC Guarantee	31/08/2026	245	673	918
BPER - MCC Guarantee	07/10/2026	295	912	1,207
ASCOMFIDI - MCC Guarantee	05/04/2025	31	43	74
INTESA SAN PAOLO- SACE Guarantee	31/12/2027	(3)	354	351
BANCO BPM- SACE Guarantee	31/03/2027	927	3,091	4,018
INTESA SAN PAOLO - MCC Guarantee	30/08/2028	111	556	667
BANCO BPM	29/02/2024	504	85	589
INTESA SAN PAOLO- SACE Guarantee	31/03/2029	(41)	4,861	4,820
UNICREDIT- SACE Guarantee	30/09/2030	87	2,403	2,490
Total Funding		**4,341**	**15,015**	**19,356**

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

CURRENT AND NON-CURRENT FINANCING - DISTRIBUTION OVER TIME *(Euro/000)*	**2023**	**2024**	**2025**	**2026 and beyond**	**TOTAL**
Current bank payables	3,814				3,814
Current account of non-current borrowings	4,341				4,341
Non-current bank debt	-	3,785	3,652	7,578	15,015
TOTAL	**8,155**	**3,785**	**3,652**	**7,578**	**23,170**

13. Employee benefits

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

The balance of the item as of 31/12/2022 was €3,212,000, a decrease of €267,000 compared to 31/12/2022 and related entirely to items related 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 31/12/2022 is shown below.

EMPLOYEE BENEFITS *(Euro/000)*	
Opening balance	**3,479**
Employee severance indemnity paid during the period	(197)
Service Cost	616
Interest Cost	66
Actuarial gains/(losses)	(601)
Units transferred to pension funds	(105)
Substitute tax	(46)
Closing balance	**3,212**

The Service Cost represents the annual cost, net of the financial component, and as of 31/12/2022 amounts to Euro 616,000.

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

ACTUARIAL ASSUMPTIONS	**31/12/2022**	**31/12/2021**
Annual technical discount rate	3.77%	0.98%
Annual inflation rate	2.30%	1.75%
Annual rate of increase in severance pay	3.23%	2.81%
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 Parent 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)*	
Turnover rate +1.00%	3,222
Turnover rate -1.00%	3,200
Inflation rate +0.25%	3,264
Inflation rate -0.25%	3,161
Discount rate +0.25%	3,148
Discount rate -0.25%	3,278

Service Cost and Duration	
Service Cost future annual *(Euro/000)*	449
Plan Duration (years)	12.5

Estimated future disbursements *(Euro/000)*	
Year 1	338
Year 2	320
Year 3	394
Year 4	365
Year 5	363

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

The Group had Trade Payables as of 31/12/2022 of €8,697 thousand, an increase of €2,539 thousand compared to 31/12/2021. Details are shown in the table below:

TRADE PAYABLES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Trade payables to suppliers	6,816	4,962	1,854	37%
Other Trade payables	1,881	1,196	685	57%
Total trade payables	**8,697**	**6,158**	**2,539**	**41%**

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 as at 31/12/2022 amounted to EUR 221,000, and had no changes in the previous year.

Other Current Payables show a balance as of 31/12//2022 of Euro 13,536,000, down Euro 1,049,000 from 31/12/2021. Details are shown in the table below:

OTHER NON-CURRENT AND CURRENT PAYABLES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Other non-current payables:				
Multi-year deferred income	221	-	221	100%
Total non-current payables	***221***	**-**	**221**	100%
Other current payables:				
Advances from customers on supplies in progress	7,126	5,330	1,796	34%
Advances from customers on supplies awaiting installation	3,474	6,787	3,313	-49%
Due to social security institutes	527	512	15	3%
Due to employees	1,756	1,479	277	19%
Accrued expenses and deferred income	134	103	31	30%
Contributions on account	343	343	-	0%
Other payables	176	31	145	468%
Total other current payables	***13,536***	***14,585***	***(1,049)***	**-7%**
GENERAL TOTAL	**13,757**	**14,585**	**(828)**	**-6%**

Other current payables only include deferred income over several years on grants for plant.

Total advance payments from customers as at 31 December 2022 amounted to EUR 10,600,000 and decreased compared to the previous year by EUR 1,517,000. 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 31/12/2022 amounted to EUR 2,000, a decrease of EUR 15,000 compared to 31/12/2021.

The following table shows the changes in deferred tax liabilities during fiscal 2022.

TAX LIABILITIES FOR DEFERRED TAXES *(Euro/000)*	
Opening balance	**17**
Increases	-
Decreases	(15)
Closing balance	**2**

A breakdown of deferred tax liabilities is provided below.

TAX LIABILITIES FOR DEFERRED TAXES - Composition *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Net foreign exchange valuation gains	-	7	(7)	-100%
Fair value differences on securities	2	10	(8)	-80%
TOTAL	**2**	**17**	**(15)**	**-88%**

16. Other current and non-current financial liabilities

Other current and non-current financial liabilities as of 31/12/2022 were €4,908 thousand, an increase of €4,550 thousand compared to 31/12/2021.

OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Bonds issued - portion due after 12 months	4,932	-	4,932	100%
Total non-current	***4,932***	***-***	***4,932***	***100%***
Bonds issued - portion within 12 months	(24)	358	(382)	-107%
Total Current	***(24)***	***358***	***(382)***	***-107%***
GENERAL TOTAL	**4,908**	**358**	**4,550**	**1271%**

The item includes bonds issued by the parent company

During the year, the debt, recorded in the financial statements as of 31/12/2021 in the amount of EUR 358,000, related to the "Bond TM 3.80%" issued by the Parent Company on 15/07/2018 was extinguished.

Also in the course of 2022, a bond loan was issued, so-called "*Basket Bond*" for a nominal value of €5 million, which, due to the recognition of the debt at amortised cost, has a negative value in the short-term portion of the debt of €24 thousand, while the debt position with maturity beyond 12 months is €4,932 thousand.

Financial indicators - *covenants*:

There are *covenants* on the *Basket Bonds* that require compliance with a series of economic and financial parameters throughout the term of the bonds, which vary over the various measurement periods.

For the financial statements as at 31/12/2022, the parameters are:

- NFP/EBITDA ratio ≤ 5;
- NFP/equity ratio ≤ 2.

The *covenants* have been met with reference to the figures in the consolidated financial statements as at 31/12/2022.

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 at 31/12/2022 amount to Euro 4,399,000, up Euro 855,000 euros compared to 31/12/2021.

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

CURRENT AND NON-CURRENT PAYABLES FOR IFRS 16 *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Payables for building leases	3,205	2,326	879	38%
Payables for car rental and leasing contracts	347	368	(21)	-6%
Payables for machinery and equipment hire contracts	93	153	(60)	-39%
Total non-current	***3,645***	***2,847***	***798***	***28%***
Payables for building leases	295	241	54	22%
Payables for car rental and leasing contracts	345	347	(2)	-1%
Payables for machinery and equipment hire contracts	114	109	5	5%
Total Current	***754***	***697***	***57***	***8%***
GENERAL TOTAL	**4,399**	**3,544**	**855**	**24%**

Changes in payables per IFRS 16 are shown below:

IFRS 16 PAYABLES - CHANGES *(Euro/000)*	
Payables for building leases at 31/12/2021	2,567
Payables for car rental and leasing contracts as at 31/12/2021	715
Payables for machinery and equipment hire contracts at 31/12/2021	262
Total as at 31/12/2021	**3,544**
New Contracts:	
Rental buildings	2,815
Rental and leasing fin. cars	359
Machinery and equipment rental	63
Total New Contracts	**3,237**
Reimbursements:	
Rental buildings	1,882
Rental and leasing fin. cars	382
Machinery and equipment rental	118
Total reimbursements	**2,382**
Rental buildings	3,500
Rental and leasing fin. cars	692
Machinery and equipment rental	207
Total as at 31/12/2022	**4,399**
of which:	
Payables for current IFRS 16 as at 31/12/2022	754
Payables for non-current IFRS 16 as at 31/12/2022	3,645
Payables for IFRS 16	**4,399**

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

CURRENT AND NON-CURRENT PAYABLES FOR IFRS 16 - DISTRIBUTION OVER TIME *(Euro/000)*	**2023**	**2024**	**2025**	**2026 and beyond**	**TOTAL**
Lease agreement	295	320	327	2,558	3,500
Car rental and leasing	345	231	83	33	692
Machinery and equipment rental	114	69	20	4	207
TOTAL	**754**	**620**	**430**	**2,595**	**4,399**

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

18. Current taxes payable

Current tax payables as of 31/12/2022 were Euro 387,000, an increase of Euro 10,000 compared to 31/12/2021.

CURRENT TAX PAYABLES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Foreign VAT payables	-	22	(22)	-100%
Income tax payables	4	1	3	300%
Withholding taxes on employee income	352	326	26	8%
Other minor payables	31	28	3	11%
TOTAL	**387**	**377**	**10**	**3%**

19. Provisions for risks and charges

Provisions for risks and charges as of 31 December 2022 were Euro 472,000, an increase of Euro 50,000 compared to 31 December 2021. The following table shows a summary:

PROVISIONS FOR RISKS AND CHARGES *(Euro/000)*	**Provision for guarantee risks**	**Other funds**	**TOTAL**
Opening balance	**389**	**33**	**422**
Provisions	83	-	83
Uses during the period	-	(33)	(33)
Rounding	-	-	-
Closing balance	**472**	**0**	**472**

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

The other provisions recognised in the previous financial statements in the amount of EUR 33,000 were entirely released during the year for the cancellation of the tax proceedings against the Parent Company for which they had been recognised.

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 "type".

20. Total sales and changes in inventories of finished products and work in progress

Details of Sales and Changes in inventories are shown below:

SALES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Sales revenue	31,646	38,827	(7,181)	-18%
TOTAL	**31,646**	**38,827**	**(7,181)**	**-18%**

In the financial year, the Group realised consolidated sales revenue of Euro 31,646,000 compared to Euro 38,827,000 in the previous period, a decrease of Euro 7,181.

CHANGE IN INVENTORIES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Change in inventory of work in progress, semi-processed and finished products	2,836	(1,108)	3,944	356%
Change in inventories of finished products and goods	-	(428)	428	100%
Changes in inventories of work in progress and awaiting installation	4,957	(8,389)	13,346	159%
TOTAL	**7,793**	**(9,925)**	**17,718**	**179%**

During the year, the Group recorded changes in the item Change in inventories of finished products and work in progress for a total of Euro 7,793 thousand, compared to Euro -9,925 thousand in the previous period, an increase in absolute value of Euro 17,718 thousand.

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 *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Capitalization of intangible fixed assets	2,320	1,154	1,166	101%
Capitalization of tangible fixed assets	-	1,245	(1,245)	-100%
Public contributions on quotation expenses	-	500	(500)	-100%
Public contributions on R&D costs	348	398	(50)	-13%
Public contributions on European projects	254	118	136	115%
Contributions on financing	-	240	(240)	-100%
Various public contributions	42	30	12	40%
Other revenues	106	26	80	308%
TOTAL	**3,070**	**3,711**	**(641)**	**-17%**

During the year, the OSAI Group realised other operating revenues totalling EUR 3,070,000 compared to EUR 3,711,000 in the previous period, a decrease of EUR 641,000.

In relation to public 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 in an auxiliary mode to generate 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)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Change in inventories of raw materials	(920)	(199)	(721)	-362%
Purchase of raw materials	12,752	8,110	4,642	57%
Purchase of semi-finished products and third party processing	5,526	3,297	2,229	68%
Cost of external personnel	671	292	379	130%
Packaging and various	28	87	(59)	-68%
TOTAL	**18,057**	**11,587**	**6,470**	**56%**

Product cost as at 31/12/2022 was Euro 18,057 thousand, an increase of Euro 6,470 thousand compared to 31/12/2021; the main components include purchases for raw materials (Euro 12,752 thousand) and for semi-finished products and processing by third parties (Euro 5,526 thousand).

23. Personnel expenses

A breakdown of Personnel costs is provided below:

PERSONNEL COSTS *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Directors' fees	501	501	-	0%
Accessory charges on directors' fees	112	58	54	93%
Wages and salaries	9,951	8,647	1,304	15%
Social security charges	2,973	2,666	307	12%
Severance pay and pension funds	616	549	67	12%
Other personnel costs	329	250	79	32%
TOTAL	**14,482**	**12,671**	**1,811**	**14%**

Personnel costs as at 31/12/2022 were EUR 14,482,000, an increase of EUR 1,811,000 compared to 31/12/2021. 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)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Purchases of materials not related to production	321	243	78	32%
Transport and storage costs	298	295	3	1%
Assistance and maintenance	157	124	33	27%
Utilities	272	205	67	33%
Insurance	225	220	5	2%
Business consulting	1,202	232	970	418%
Legal and administrative consulting	731	726	5	1%
Technical Consulting	356	274	82	30%
Fees of corporate bodies	203	119	84	71%
Trade fairs, advertising and entertainment expenses	636	386	250	65%
Cleaning and disinfection expenses	122	105	17	16%
Travel and personnel miscellaneous expenses	816	702	114	16%
Financial services fees	112	84	28	33%
Other costs for services	76	46	30	65%
Short-term rentals and leases	134	46	88	191%
Software license usage fees	116	58	58	100%
Provisions	83	133	(50)	-38%
Donations	49	19	30	158%
Miscellaneous taxes and duties	41	37	4	11%
Other costs	99	65	34	52%
TOTAL	**6,049**	**4,119**	**1,930**	**47%**

Other operating costs incurred by the Group during the year ended 31/12/2022 totalled Euro 6,049 thousand, up Euro 1,930 thousand from 31/12/2021.

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)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Amortization of intangible assets	546	793	(247)	-31%
Depreciation of tangible assets	1,557	1,761	(204)	-12%
Write-downs of tangible and intangible assets	-	32	(32)	-100%
Write-down of receivables	-	85	(85)	-100%
TOTAL	**2,103**	**2,671**	**(568)**	**-21%**

26. Non-recurring income and charges

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

NON-RECURRING INCOME AND EXPENSES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Legal expenses	-	250	(250)	-100%
TOTAL	**-**	**250**	**(250)**	**-100%**

27.Financial income and expenses

Financial management in 2022 resulted in an overall negative balance of EUR 769,000.

This item is detailed in the table below:

FINANCIAL MANAGEMENT *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Financial income	34	1	33	3300%
Interest expense on loans and derivatives	(466)	(392)	(74)	19%
Interest expense on bonds	(10)	(22)	12	-55%
Other bank interest expenses	(181)	(227)	46	-20%
Interest expense IFRS 16	(103)	(85)	(18)	21%
Interest expense IAS 19	(66)	(17)	(49)	288%
Other financial charges	(20)	(30)	10	-33%
Net financial charges	**(812)**	**(772)**	**(40)**	**5%**
Net profit (loss) of foreign currency transactions	43	23	20	87%
Total financial management	**(769)**	**(749)**	**(20)**	**3%**

28. Income taxes

Income taxes for 2022 show a net balance of Euro 97,000, primarily due to the balance of current and deferred taxation.

INCOME TAXES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
IRES - tax credit pursuant to art. 73 of Law Decree 73/21	-	143	(143)	100%
IRES	-	-	-	0%
IRAP	(66)	(15)	(51)	340%
Deferred tax assets	(107)	210	(317)	151%
Deferred taxes	7	(6)	13	217%
Previous years' taxes	70	15	55	-367%
Substitute taxes	-	(7)	7	100%
Payables for corporate income tax	(1)	-	(1)	0%
TOTAL	**(97)**	**340**	**(437)**	**129%**

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 2022 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;
- the subsidiaries, de jure or de facto, directly or indirectly, by public administrations, including companies with shares listed on regulated markets and their subsidiaries;
- the 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 2022, the beneficiary of which is the Parent Company itself for all amounts.

PROVIDER	***DESCRIPTION***	***AMOUNT RECEIVED/USED*** *(Euro/000)*	***FUNDING AMOUNT*** *(Euro/000)*
European Union - Universidad Politecnica Madrid	Public contributions on R&D costs	183	183
European Union - Piedmont Region	Public contributions on R&D costs	69	69
European Union	Public contributions on R&D costs	2	2
Ministry of Economic Development	Tax credit on R&D costs	226	348
Ministry of Economic Development	Capitalization tax credit	142	-
Ministry of Economic Development	Tax credit for capital goods	18	241
Ministry of Economic Development	Energy Tax Credit	15	22
TOTAL		**655**	**865**

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 OSAI 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 2022:

RELATED PARTIES - top management functions *(Euro/000)*	***Fees***	***Receivables***	***Payables***
BoD - Directors with delegated powers	871	0	98
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.

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 interest rate risk exposure.

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 the
financial resources.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

No significant events occurred after the end of the financial year 2022.



Chapter 8.

Financial Statements of Osai Automation System S.p.A. as of 31/12/2022

Balance sheet - financial situation

(Euro/000)	Note	31 December 2022	31 December 2021
ASSETS			
NON-CURRENT ASSETS			
- Property, plant and equipment	1	14,387	11,591
- Intangible Assets	2	5,304	3,384
- Shareholdings	3	1,033	933
- Non-current financial assets	4	629	48
- Other non-current receivables	5	679	516
- Deferred tax assets	6	564	823
TOTAL NON-CURRENT ASSETS		**22,596**	**17,295**
CURRENT ASSETS			
- Inventories	7	31,217	22,504
-Trade receivables	8	9,586	11,461
- Current taxes receivable	9	1,306	795
- Other short-term receivables	5	1,368	706
- Current financial assets	4	1,579	1,424
- Cash and cash equivalents	10	9,438	9,040
TOTAL CURRENT ASSETS		**54,494**	**45,930**
TOTAL ASSETS		**77,090**	**63,225**
LIABILITIES			
SHAREHOLDERS' EQUITY			
-Share capital	11	1,613	1,599
-Share premium reserve	11	8,677	8,428
- Legal Reserve	11	257	213
FTA Reserve	11	(1,296)	(1,296)
- Other Components of Shareholders' Equity	11	223	(159)
- Retained earnings/(losses) carried forward	11	7,537	6,703
- Profit (loss) for the period	11	838	878
TOTAL SHAREHOLDERS' EQUITY		**17,849**	**16,366**
NON-CURRENT LIABILITIES			
- Long-term borrowings	12	15,015	11,239
- Employee benefits	13	3,212	3,479
- Other non-current payables	14	221	-
- Deferred tax liabilities	15	2	17
- Other non-current financial liabilities	16	4,932	-
- Payables non current under IFRS16	17	3,645	2,847
TOTAL NON-CURRENT LIABILITIES		**27,027**	**17,582**
CURRENT LIABILITIES			
- Short-term borrowings	12	8,155	6,572
- Other current financial liabilities	16	(24)	358
- Trade payables	14	8,999	6,343
- Current taxes payable	18	386	376
- Other current payables	14	13,472	14,509
- Provisions for risks and charges	19	472	422
- Payables current under IFRS16	17	754	697
TOTAL CURRENT LIABILITIES		**32,214**	**29,277**
TOTAL LIABILITIES		**77,090**	**63,225**

Income Statement

(Euro/000)	Note	31 December 2022	31 December 2021
- Total sales	**20**	**31,468**	**38,735**
- Change in finished goods and W.I.P. stock	20	7,793	(9,925)
- Other operating revenues	21	3,067	3,711
VALUE OF PRODUCTION		**42,328**	**32,521**
- Product cost (raw materials and external processing)	22	(18,055)	(11,585)
Gross Margin		**24,273**	**20,936**
- Personnel expenses	23	(14,219)	(12,449)
- Other operating costs	24	(6,248)	(4,306)
Gross operating margin (EBITDA)		**3,806**	**4,181**
- Write-downs, depreciation and amortization	25	(2,096)	(2,666)
Operating income of ordinary operations		**1,710**	**1,515**
- Non-recurring expenses/(charges)	26	-	(250)
Operating profit (EBIT)		**1,710**	**1,265**
- Financial Income/(Expenses)	27	(775)	(727)
Earnings before taxes (EBT)		**935**	**538**
- Income taxes	28	(97)	340
Net profit/(loss) for the period		**838**	**878**

Statement of Comprehensive Income for the period

(Euro/000)	31 December 2022	31 December 2021
Net profit/(loss) for the period	**838**	**878**
Actuarial gains (losses) on defined benefit plans	601	(182)
Tax effect	(145)	51
Total other comprehensive income/(loss) not subsequently reclassified in the income statement, at net of the tax effect	**456**	**(131)**
Financial instruments measured at *fair value* FVOCI	(96)	27
Tax effect	23	(6)
Total other comprehensive income that will be subsequently reclassified in the income statement at net of the tax effect	**(73)**	**21**
NET COMPREHENSIVE INCOME FOR THE PERIOD	**1,221**	**768**

Statement of changes in shareholders' equity

STATEMENT OF CHANGES IN EQUITY *(Euro/000)*	**SHARE CAPITAL**	**SHARE PREMIUM RESERVE**	**LEGAL RESERVE**	**RESERVE FOR ADJUSTMENTS TO FV DERIVATIVES**	**FTA RESERVE**	**OTHER RESERVES**	**PROFIT/(LOSS) CARRIED FORWARD**	**RESULT FOR THE PERIOD**	**SHAREHOLDERS' EQUITY**
Balance as at 01/01/2021	***1,400***	***4,787***	***200***	***(24)***	***(1,296)***	***(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***	***-***	***(1,296)***	***(159)***	***6,703***	***878***	***16,366***
Dividends paid out	-	-	-	-	-	-	-	-	-
Allocation of profit/(loss) for the previous period	-	-	44	-	-	-	834	(878)	-
Increase in share capital	14	249	-	-	-	-	-	-	263
Other transactions	-	-	-	-	-	(1)	-	-	(1)
Overall result for the period	-	-	-	-	-	383	-	838	1,221
Balance as at 31/12/2022	**1,613**	**8,677**	**257**	**-**	**(1,296)**	**223**	**7,537**	**838**	**17,849**

Cash flow statement

(Euro/000)	31 December 2022	31 December 2021
Net profit/(loss)	**838**	**878**
Adjustments *(sub-total)*	***(3,749)***	***3,184***
Amortization, depreciation and write-downs of fixed assets	2,096	2,581
(gains) losses on disposal of fixed assets	(6)	(1)
Value adjustments to equity investments	-	-
Other adjustments for non-monetary items	3	-
Change in tax assets/liabilities for prepaid/deferred taxes	244	(430)
Changes in personnel-related provisions	189	263
Change in other provisions for risks and write-downs	(13)	222
Changes in inventories	(8,651)	9,724
Change in trade receivables	1,875	(1,715)
Changes in trade payables and advances	1,170	(6,799)
Net change in other non-financial assets/liabilities	(656)	(661)
Cash flow from operations (A)	**(2,911)**	**4,062**
Cash Flow from investment activities		
- Investments in:		
Tangible assets	(5,068)	(3,083)
Intangible fixed assets	(2,467)	(1,303)
Investments	(100)	(25)
- Realization from the sale of:		
Tangible assets	7	4
Intangible fixed assets	-	-
Investments	-	-
Cash flow from investment management (B)	**(7,628)**	**(4,407)**
Cash Flow from financing activities		
Changes in receivables and other financial assets	(810)	(186)
Changes in payables and other financial liabilities	6,125	(335)
Changes in short-term payables to banks	(401)	340
Loan repayments	(2,481)	(4,141)
Financing	8,241	5,610
Flow from banking and financing activities	***10,674***	***1,288***
Capital increase and share premium	263	3,840
Dividends paid	-	-
Change in reserves and other shareholders' equity components	-	-
Flow on Capital	***263***	***3,840***
Financial management flow (C)	**10,937**	**5,128**
Total cash flow (D=A+B+C)	**398**	**4,783**
Cash and cash equivalents at beginning of period (E)	**9,040**	**4,257**
Cash and cash equivalents at end of period (F=D+E)	**9,438**	**9,040**

Additional disclosures for the Statement of Cash Flows

(Euro/000)		
Income taxes paid	-	21
Interest paid	732	858



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, 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, 2022.

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

The financial statements for the year ended 31 December 2022 are audited by BDO Italia S.p.A. and will be submitted to the shareholders' meeting.

Basis for the preparation of the financial statements

The financial statements for the year 2022 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.

Business continuity

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 order book consistency;
- 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 interim 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 equity item 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 calculated by adjusting the profit and loss for the effects of:
    - non-monetary items such as amortization and write-downs;
    - 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 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.

Valuation Criteria

Tangible 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
- cars
- office equipment.

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 costs

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 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.

Other intangible assets

Other separately acquired intangible assets are capitalized at cost.

After initial recognition, intangible assets with a finite useful life are recorded at cost, reduced for amortisation and '*impairment*'; intangible assets with an indefinite useful life, at cost reduced for '*impairment*' only.

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 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 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 other liquid investments due within three months.

Financial liabilities refer to financial payables, including payables for advances on orders, assignment of receivables, and other financial liabilities to trade 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* recognised 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.

As of 31/12/2022, the Company had no derivative financial instruments outstanding.

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* recognised in the income statement (FVPL), which in turn are classified into 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, 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 company's financial statements, 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 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 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 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 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 financial statements date, to settle the obligation.

Revenue recognition

Revenues are shown net of VAT, returns and discounts and are posted according to the rules described below.

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 different contractual obligations in proportion to their respective stand-alone *selling* prices determined on the basis of list prices.
5. Revenue recognition upon fulfilment 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 Company identifies the extension of warranty with respect to 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 contributions

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.

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 expenses

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 financial statements 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, prices of similar listed financial instruments are compared; for other categories of financial instruments, 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 valuations 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:

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 5-10 to 10 years, which represents the average period over which the products are estimated to generate cash flows for the Company.

Provisions for bad debts: provisions for bad 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 of the economic-financial conditions of an important customer, this could

result in the need to adjust the provision for bad debts, with the consequent negative impact on 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, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2022

In compliance with the requirements of IAS 8 (Accounting standards, changes in accounting estimates and errors), the IFRS in force as of 1 January 2022 are briefly illustrated below.

Onerous Contracts - Costs of Performing a Contract (Amendment to IAS 37)

IAS 37 defines an onerous contract as one in which the unavoidable costs (costs that the company has committed to incur under the contract) of fulfilling the obligations under the contract exceed the economic benefits expected to be received under the contract.

The amendments to IAS 37.68A clarify that costs directly related to the contract consist of:

- the incremental costs of contract performance, e.g. direct labour and material;
- the allocation of other costs directly related to the performance of contracts: e.g. allocation of depreciation charges on property, plant and equipment used in the performance of the contract.

Property, plant and equipment - Income arising from assets before they are ready for use (amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from the sale of items produced while the entity is preparing the asset for its intended use (e.g. proceeds from the sale of samples produced during the test phase of a production facility after its construction, but before commercial production begins). The proceeds from the sale of these samples, together with production costs, are now recognised in the income statement.

Annual improvements to IFRS 2018-2020 (amendments to IFRS1, IFRS9, IFRS 16 and IAS 41)

- IFRS 1: *Subsidiary as a First-time Adopter* (FTA)
- IFRS 9: *Fees in the '10 per cent' Test for Derecognition of Financial liabilities*
- IAS 41: *Taxation in Fair Value Measurements*

References to the *Conceptual Framework* (Amendments to IFRS 3)

In May 2020, the IASB published amendments to IFRS 3, which update a reference to the *Conceptual Framework* without changing the accounting requirements for business combinations.

The adoption of these amendments/interpretations had no impact on the consolidated financial statements as of 31/12/2022.

ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE COMPANY

There are numerous standards, amendments to standards and interpretations that have been issued by the IASB, but will be effective in future accounting periods, which the Group has decided not to apply in advance.

The following amendments are effective as of the financial year beginning 1 January 2023:

On 18/05/2017, the IASB issued the standard 'IFRS 17 - *Insurance Contracts*' to replace the current 'IFRS 4 - *Insurance Contracts*'. The new standard governs the accounting treatment of insurance contracts issued and reinsurance contracts held.

On 12/02/2021, the IASB issued the document '*Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2*: *Disclosure of Accounting policies*'. The purpose of the amendments is to develop guidelines and examples to help companies apply a materiality judgement in the disclosure of accounting standards. The amendments to IFRS Practice Statement 2, on the other hand, provide guidance on how to apply the concept of materiality to accounting policy disclosures.

On 12/02/2021, the IASB issued the document '*Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*: *Definition of Accounting Estimates*'. The amendments provide some clarification regarding the distinction between changes in accounting estimates and changes in accounting policies: the former are applied prospectively to future transactions and other future events, the latter are generally also applied retrospectively to past transactions and other past events.

On 07/05/2021, the IASB issued the document '*Amendments to IAS 12 Income Taxes*: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*'. The paper addresses from a practical point of view the application of the exemption in paragraphs 15 and 24 of IAS 12 to transactions that give rise to both an asset and a liability upon initial recognition and may result in temporary tax differences of the same amount. Under the proposed amendments, the exemption from initial recognition in IAS 12 would not apply to transactions that give rise to equal and offsettable amounts of taxable and deductible temporary differences at the time of execution.

The Company is currently assessing the impact of these new accounting standards and amendments and will adopt these new standards, amendments and interpretations, based on the expected date of application.

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

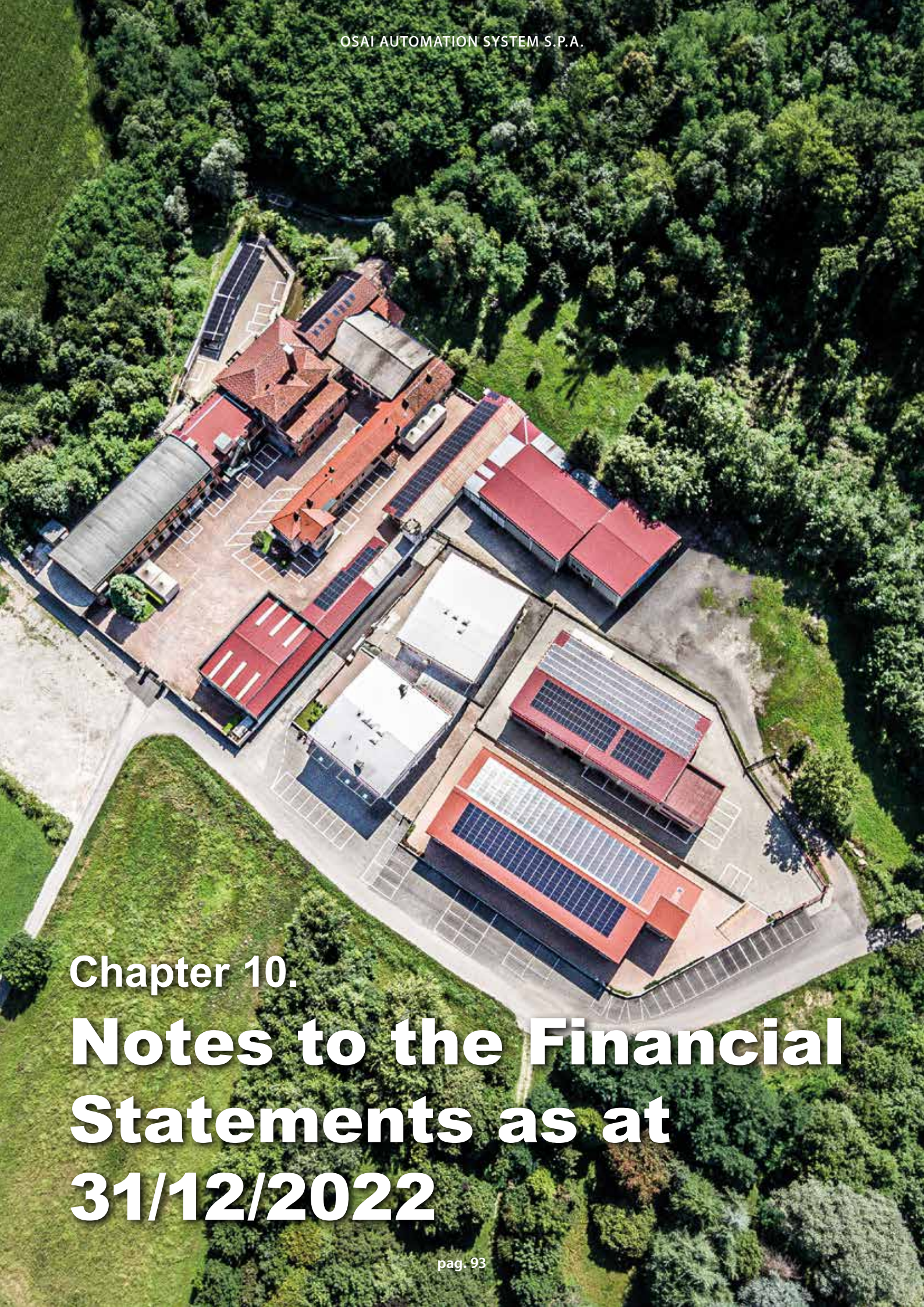
ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BY IASB AND NOT YET APPROVED BY THE EUROPEAN UNION

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:

On 23 January 2020, the IASB issued the document '*Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-*current' to clarify the requirements for classifying liabilities as 'current' or 'non-current'. More specifically, the amendments (i) specify that the conditions existing at the end of the reporting period are to be used to determine whether a right to defer settlement of a liability exists; (ii) specify that management's expectations of events after the financial statements date are not relevant; and (iii) clarify the situations to be considered as settlement of a liability;

On 27 November 2020, the IASB issued '*Amendments to IFRS 16 Lease Liability in a Sale and Leaseback*' to define how to apply paragraphs 36-28 of IFRS 16 in the subsequent measurement of the lease liability in a sale and *leaseback* transaction. More precisely, the vendor-lessee must determine the 'lease payments' or 'revised lease payments' in such a way as not to recognise any amount of profit or loss in respect of the right of use retained by the vendor-lessee;

On 31 October 2022, the IASB issued the document '*Amendments to IAS 1 Presentation of Financial Statements: non-current liabilities with covenants*' to clarify which conditions must be met for the classification of a loan subject to a short-term covenant.



Chapter 10.

Notes to the Financial Statements as at 31/12/2022

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 31/12/2022 totalled 14,387,000 euros, up 2,796 euros from 31/12/2021.

See the table below for more detail.

PROPERTY PLANT AND EQUIPEMENT *(Euro/000)*	**LAND AND BUILDINGS**	**PLANTS AND EQUIPMENT**	**IND. AND COMMERCIAL EQUIPMENT**	**OTHER ASSETS**	**WORK IN PROGRESS**	**TOTAL**
Net value at 31/12/2020	**3,458**	**5,778**	**352**	**1,527**	**225**	**11,340**
Of which rights of use IFRS16	*3,458*	*775*	-	*1,240*	-	*5,473*
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 of 31/12/2021	**3,518**	**5,252**	**194**	**1,157**	**1,470**	**11,591**
2022 Financial Year:						
Increases	3,270	11	92	679	2,269	*6,321*
Decreases/Disposals	(1,903)	-	-	(72)	-	*(1,975)*
Reclassifications	-	1,470	-	-	(1,470)	-
Amortization, depreciation & write-downs	(398)	(484)	(77)	(591)	-	*(1,550)*
Rounding	-	-	-	-	-	-
Net value as at 31/12/2022	**4,487**	**6,249**	**209**	**1,173**	**2,269**	**14,387**
Of which rights of use IFRS16:						
Net value as of 31/12/2021	*3,230*	-	-	*940*	-	*4,170*
Increases	*3,220*	-	-	*493*	-	*3,713*
Decreases/Disposals	*(1,903)*	-	-	*(70)*	-	*(1,973)*
Reclassifications	-	-	-	-	-	-
Amortization, depreciation & write-downs	*(398)*	-	-	*(482)*	-	*(880)*
Rounding	-	-	-		-	-
T***otal rights of use as at 31/12/2022***	***4,149***	**-**	**-**	***881***	**-**	***5,030***

The item Land and Buildings, which amounted to €4,487,000, increased by €969,000 and included:

- Land purchased in the year and in the previous year for a total value of Euro 338,000;
- Rights of use on leased instrumental buildings, deriving from the application of IFRS16 for 4,149,000 euros.

The item Plant and Machinery of €6,249,000 increased by a total of €997,000 due to the completion of the in-house construction of machinery and the consequent reclassification from the item 'Assets under construction' and depreciation for the year.

The item Industrial and Commercial Equipment of Euro 209 thousand increased by a total of Euro 15 thousand.

The item Other Assets, amounting to EUR 1,173,000, increased by a total of EUR 16,000 due to purchases and depreciation for the year. It should be noted that this item includes rights of use for electronic office equipment and vehicles on hire for EUR 881,000.

Assets under construction amounting to Euro 2,269 thousand increased by Euro 799 thousand due to expenses incurred for the construction of the new Samone warehouse for Euro 2,218 thousand and for the renovation of the new premises in Colleretto Giacosa for Euro 51 thousand. In addition, the construction of machinery in progress at the end of the previous year was completed in 2022, which was reclassified to the special item for €1,470,000.
The realisation of the assets has not yet been completed as at 31 December 2022.

2. Intangible fixed assets

Intangible fixed assets as at 31/12/2022 total EUR 5,304,000, up EUR 1,920,000 on 31/12/2021.

See the table below for more detail.

INTANGIBLE FIXED ASSETS *(Euro/000)*	**SOFTWARE**	**DEVELOPMENT COSTS**	**PATENTS**	**WORK IN PROGRESS**	**TOTAL**
Net value at 31/12/2020	**52**	**1,722**	**14**	**1,086**	**2,874**
2021 Financial Year:					
Increases	146	-	3	1,154	1,303
Amortisation	(52)	(735)	(6)	-	(793)
Impairment and write-downs	-	-	-	-	-
Reclassifications	-	315	-	(315)	-
Rounding	-	-	-	-	-
Net value as of 31/12/2021	**146**	**1,302**	**11**	**1,925**	**3,384**
2022 Financial Year:					
Increases	147	-	-	2,320	2,467
Amortisation	(88)	(455)	(3)	-	(546)
Impairment and write-downs	-	-	-	-	-
Reclassifications	-	2,084	-	(2,084)	-
Rounding	-	-	-	(1)	-
Net value as at 31/12/2022	**205**	**2,931**	**8**	**2,160**	**5,304**

As reflected in the changes during the period, most of the increases in 2022, relate to assets under construction and development costs.

Capitalised development costs, which amounted to €2,931,000 at year-end, increased by a total of €1,629,000 and were entirely attributable to expenses incurred for the development of application technologies for automation machinery built and sold. Technological development should be considered essential and inherent to the company's activities. In the course of 2022, projects that had previously been recorded as assets under construction were completed in the amount of EUR 2,084,000.

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, analysed 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, which amounted to EUR 205,000, increased by EUR 59,000 due to the implementation of the management system.

Patent rights include costs for the registration of patents and, at the end of the year, amounted to EUR 8,000.

3. Investments

Equity investments (in subsidiaries and other companies) as of 31/12/2022 total EUR 1,033,000, up EUR 100,000 from 31/12/2021.

Equity investments in subsidiary companies

Equity investments in subsidiary companies as of 31 December 2022 were EUR 907,000, an increase of EUR 100,000 over 31 December 2021.

INVESTMENTS IN SUBSIDIARIES *(Euro/000)*	**Osai A.S. Gmbh - Germany**	**Osai A.S. Dalian Co - China**	**Osai A.S. USA Ltd - USA**	**Osai G.T. S.B. S.r.l. - ITA**
Net value at 31/12/2020	**350**	**222**	**235**	**-**
Increases	-	-	-	-
Divestments	-	-	-	-
Write-downs	-	-	-	-
Net value as of 31/12/2021	**350**	**222**	**235**	**-**
Increases	-	-	-	100
Divestments	-	-	-	-
Write-downs	-	-	-	-
Net value as at 31/12/2022	**350**	**222**	**235**	**100**

The increase relates to the incorporation, in October 2022, of the wholly-owned subsidiary OSAI GREEN TECH Società Benefit S.r.l., with a share capital of EUR 100,000.

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)*	**Net value as at 31/12/2022**	**NE at 31/12/2022**	**Share of ownership**	**NE pro-quota**	**Difference**
Osai A.S. Gmbh - Germany	350	6	100%	6	(344)
Osai A.S. Dalian Co - China	222	262	100%	262	40
Osai A.S. USA Ltd - USA	235	243	100%	243	8
Osai G.T. S.B. S.r.l. - ITA	100	ND	100%	ND	ND

The figures of the subsidiaries refer to the financial statements as at 31/12/2022.

The net worth figure of the newly formed OSAI GREEN TECH Società Benefit S.r.l. is not available as at 31/12/2022 because the company will close its first financial statements on 31/12/2023.

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, so management decided to maintain the carrying value unchanged as a result of the test performed. It should also be noted that the subsidiary's net income for 2022 amounted to Euro 93,000.

The book value of the equity investment in the Chinese company Osai Dalian Co. is lower than the corresponding share of shareholders' equity, and the company closed its 2022 financial statements with a profit of Euro 22,000.

The book value of the equity investment in the US company Osai A.S. USA Ltd. is lower than the corresponding portion of shareholders' equity and the company closed the 2022 financial statements recording a positive net result of Euro 4,000.

Investments in other companies

Equity investments in other companies as at 31/12/2022 amount to Euro 126,000, unchanged with respect to 31/12/2021.

OTHER INVESTMENTS *(Euro/000)*	**Value of equity investment at beginning of year**	**Increases**	**Write-downs**	**Net value as at 31/12/2022**
ICONA S.r.l. - Italy	100	-	-	100
CIAC S.c.r.l. - Italy	25	-	-	25
Unionfidi	1	-	-	1
TOTAL	**126**	**-**	**-**	**126**

The equity investment in ICONA S.r.l. (ICO NUOVO AMPLIAMENTO S.r.l.) refers to a 5% share (5.56% in the previous year) of the company's share capital. The book value of EUR 100,000 is equal to the cost incurred when the units were subscribed. The activity of the investee company is aimed at achieving the social purpose of redevelopment of the Canavese industrial area.

During the year 2022, the subsidiary resolved to increase its capital from EUR 900,000 to EUR 1 million. As a result of the resolution, the percentage shareholding of Osai A.S. S.p.A. was reduced from 5.56% to 5%.

The financial statements for the year ended 31 December 2022 show shareholders' equity of EUR 1,734,000.

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 at 31/12/2022 amount to EUR 2,208,000, up EUR 736,000 on 31/12/2021.

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

NON-CURRENT AND CURRENT FINANCIAL ASSETS *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Shares in listed companies	60	48	12	*25%*
Credits from the purchase of building bonuses over 12 months	569	-	569	100%
Total non-current	***629***	***48***	***581***	***1210%***
Equity and bond investment funds	1,449	1,424	25	*2%*
Credits from the purchase of building bonuses within 12 months	130	-	130	100%
Total Current	***1,579***	***1,424***	***155***	***11%***
GENERAL TOTAL	**2,208**	**1,472**	***736***	***50%***

Financial assets, relating to the ownership of shares in listed companies and investment funds, recorded at *fair value*, refer to:

- for the non-current portion at 18,000 shares of Banco BPM whose *fair* value as of 31/12/2022 was EUR 60,000, an increase in market value over the previous year of EUR 12,000;
- 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 item increased due to payments made during the year by €135,000 and decreased in *fair value* by €110,000.

The difference between the *fair value* at the end of the half-year and the cost incurred for 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.

This item also includes the value of receivables relating to so-called 'building bonuses', acquired by the Company during the year, based on the 'incentive regulations' pursuant to Art. 121 OF LAW DECREE 34/2020

The amortised cost method was used to recognise these receivables in the financial statements and their value as at 31 December 2022 totalled EUR 699,000 (of which EUR 130,000 was due by the end of the year).

These credits may be used to offset tax and social security debts of the Company on the due dates provided for by law.

5. Other non-current and current receivables

Other non-current and current receivables as of 31/12/2022 totalled EUR 2,047,000, up EUR 825,000 compared to 31/12/2021.

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

OTHER NON-CURRENT AND CURRENT RECEIVABLES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Security Deposits	167	134	33	25%
Tax credits over 12 months	512	382	130	34%
Total non-current	***679***	***516***	***163***	***32%***
Advances to suppliers	676	213	463	217%
Loans to employees	276	218	58	27%
Accrued income and prepaid expenses	412	273	139	51%
Miscellaneous	4	2	2	100%
Total Current	***1,368***	***706***	***662***	***94%***
GENERAL TOTAL	**2,047**	**1,222**	**825**	**68%**

6. Deferred tax assets

Deferred tax assets as of 31/12/2022 amounted to EUR 564,000 and decreased by EUR 259,000 compared to 31/12/2021.

The following table shows the changes in Deferred Tax Assets during fiscal year 2022.

DEFERRED TAX ASSETS *(Euro/000)*	
Opening balance	**823**
Increases	127
Decreases	(386)
Closing balance	**564**

The composition of deferred tax assets is shown below.

DEFERRED TAX ASSETS *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Provisions to reserves not deducted	135	140	(5)	-4%
FTA-IFRS post conversion	161	232	(71)	-31%
Employee Benefits IAS19	37	170	(133)	-78%
Unused tax losses	140	220	(80)	-36%
Other unused tax benefits	75	53	22	42%
Fair value differences on securities	16	8	8	100%
Total	**564**	**823**	**(259)**	**-31%**

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 31/12/2022 total EUR 31,217,000, net of provision for doubtful accounts, up by EUR 8,713,000 compared to 31/12/2021.

The following table shows the breakdown of inventories as at 31/12/2022 and 31/12/2021.

INVENTORIES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Raw materials inventories	3,517	2,660	857	32%
Provision for obsolescence of raw materials	-	(63)	63	-100%
Work in progress and semi-finished products	7,382	4,547	2,835	62%
Works in progress under contract	15,885	9,245	6,640	72%
WIP pending installation	4,433	6,115	(1,682)	-28%
TOTAL	**31,217**	**22,504**	**8,713**	**39%**

The valuation allowance during 2022 changed as follows:

INVENTORY WRITE-DOWN *(Euro/000)*	
Opening balance	***63***
Provisions for the year	-
Uses during the period	(63)
Exchange rate effect	-
Closing balance	**-**

8. Trade receivables

Trade receivables as at 31/12/2022 were EUR 9,586,000, a decrease of EUR 1,875,000 compared to 31/12/2021.

TRADE RECEIVABLES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Accounts receivable from customers	8,894	10,793	(1,899)	-18%
Receivables from subsidiaries	777	753	24	3%
Gross trade receivables	***9,671***	**11,546**	**(1,875)**	**-16%**
Doubtful debt provision	(85)	(85)	-	0%
TOTAL	**9,586**	**11,461**	**(1,875)**	**-16%**

Receivables in currencies other than the reporting currency are translated into euros using the exchange rate in force at the financial statements closing date. All exchange rate differences have been recorded in the income statement.

There was no change in the allowance during 2022.

DOUBTFUL DEBT PROVISION *(Euro/000)*	
Opening balance	**85**
Utilizations	-
Provisions	-
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)*	**31/12/2022**
To expire	5,630
Expired 0-180 days	3,643
Expired 180-365 days	398
Expired after one year	-
Total	**9,671**

It should be noted that in the first few months of 2023, almost all receivables over 180 days past due were collected, and a large part of the receivables between 60 and 180 days past due included in the group of receivables between 0 and 180 days past due were also collected.

The generally agreed payment terms are related to the final acceptance of the machinery, so with the procurement issue, collection times are extended.

9. Current tax receivables

Current tax receivables as of 31/12/2022 amount to EUR 1,306,000, up EUR 511,000 on 31/12/2021. Details are provided in the table below:

CURRENT TAX RECEIVABLES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
VAT Receivables	841	238	603	253%
Receivables and advances relating to direct taxes	1	175	(174)	-99%
Tax credits usable within 12 months	464	382	82	21%
TOTAL	**1,306**	**795**	**511**	**64%**

The high VAT credit at year-end is due to the significant taxable real estate investments made during the year.

10. Cash and cash equivalents

Cash and cash equivalents as at 31/12/2022 amount to EUR 9,438,000, up EUR 398,000 compared to 31/12/2021. Details are provided in the table below:

CASH AND CASH EQUIVALENTS *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Bank accounts	9,386	9,002	384	4%
Cash and cash equivalents	52	38	14	37%
TOTAL	**9,438**	**9,040**	**398**	**4%**

NET EQUITY AND LIABILITIES

11. Net Equity

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

Share Capital

The share capital as at 31 December 2022 amounted to Euro 1,612,720.70, divided into 16,127,207 ordinary shares without nominal value.

During the year, the share capital increased by a total of EUR 14,079.80 in correspondence with the exercise windows for warrants issued at the time of listing on 31/10/2020:

- Warrant OSAI A.S. S.p.A. 2022-2025 / June 2022: Euro 120.00;
- Warrant OSAI A.S. S.p.A. 2022-2025 / October 2022: Euro 13,959.80.

Following is a reconciliation between the number of shares outstanding at December 31, 2021 and at December 31, 2022

	At 31 December 2021	**Share capital increases**	**(Purchases)/Sales of treasury shares**	**At 31 December 2022**
Ordinary shares issued	15,986,409	140,798	0	16,127,207
Minus: Own shares	0	0	0	0
Outstanding ordinary shares	**15,986,409**	**140,798**	**0**	**16,127,207**

Share premium reserve

The share premium reserve, amounting to EUR 8,677,000, rose by EUR 249,641,000 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 amounted to €257,000 and increased by €44,000 due to the allocation of the previous year's result.

Other Equity Items

Other shareholders' equity items are summarized as follows:

- FTA reserve: this item as of 31/12/2022 was negative in the amount of €1,296,000 and did not change from 31/12/2021. This item was posted on the first-time adoption of international accounting standards as of 01/01/2020;
- Reserve for actuarial gains and losses on staff severance indemnities: the item as of 31/12/2022 was positive in the amount of €267,000 and related to the effect of actuarial gains/losses on staff severance indemnities net of the tax effect, in accordance with IAS 19 *Revised*;
- FVOCI reserve: this item as of 31/12/2022 was negative for EUR 44,000 and was set aside against the recognition of valuation differences of securities at *Fair Value*.

Retained earnings/(losses) carried forward

The item as of 31/12/2022 is equal to EUR 7,537,000 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 31/12/2021 made to the balances on the financial statements prepared in compliance with national accounting standards.

Dividends

The Company did not pay any dividends during 2022.

Result for the period

This item amounts to EUR 838,000.

Overall result for the period

The result of the comprehensive income statement, amounting to €1,221,000, is composed of the following items in addition to the profit for the period:

- Actuarial losses on employee benefits, net of the related tax effect, totalling EUR 456,000;
- Negative *fair value* differences on financial assets net of the related tax effect of €73,000;

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)*	**AMOUNT**	**CASH EQUIVALENTS**	**AMOUNT AVAILABLE**	**SUMMARY OF UTILISATIONS IN THE THREE-YEAR PERIOD 2020-2022**	
				COVERAGE OF LOSSES	**DIVIDENDS PAID OUT**
Capital	1,613	B	-	-	-
Capital Reserves:					
Share premium reserve [1]	8,677	A, B, C	8,611	-	-
Profit Reserves:					
Legal Reserve	257	B	-	-	-
FTA reserve	(1,296)	-	-	-	-
Actuarial (Gains) losses for termination benefits	267	-	-	-	-
FVOCI Reserve	(44)	-	-	-	-
Previous years' profits [2]	7,537	A, B, C	3,266	-	-
TOTAL	**17,011**		**11,877**	**-**	**-**

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. (Euro 66 thousand)
(2) available portion net of negative reserves (€1,340,000) and unamortised portion of capitalised development costs (€2,931,000)

12. Current and non-current financing

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

Non-Current Loans total Euro 15,015,000, up Euro 3,776,000 from 31/12/2021.

Current loans total Euro 8,155,000, up Euro 1,583,000 compared to 31/12/2021.

The following is a breakdown of the company's bank exposure outstanding as of 31/12/2022:

CURRENT AND NON-CURRENT FINANCING *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Loans and other financing - non-current portion	15,015	11,239	3,776	34%
Total non-current financing	***15,015***	***11,239***	***3,776***	***34%***
Short-term payables to credit institutions	3,814	3,106	708	23%
Loans and other financing - current portion	4,341	3,466	875	25%
Total current financing	***8,155***	***6,572***	***1,583***	***24%***
TOTAL	**23,170**	**17,811**	**5,359**	**30%**

Compared to the financial statements for the year ended 31/12/2021, the Company's borrowings have increased by a total of Euro 5,359,000.

During 2022 the Company took out three new loans totalling Euro 8,241,000.

Changes in the Company's bank debts and other loans are set out below:

BORROWINGS FROM BANKS AND OTHER FINANCING - CHANGE *(Euro/000)*	
Payables to banks and other current loans as at 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**
Stipulation of new financing	8,241
Loan repayments	(2,481)
Change in credit line payables	(401)
Payables to banks and other loans at 31/12/2022	**23,170**
of which:	
Payables to banks and other current loans as at 31/12/2022	8,155
Payables to banks and other non-current loans as at 31/12/2022	15,015
Payables to banks and other loans at 31/12/2022	**23,170**

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

Financing details	***Deadline***	***Current share*** *(Euro/000)*	***Non-current share*** *(Euro/000)*	***Total*** *(Euro/000)*
BANCA D'ALBA - SACE Guarantee	31/12/2023	159	-	159
BANCO BPM - MCC Guarantee	30/09/2023	238	-	238
INTESA SAN PAOLO	24/05/2024	206	106	312
BANCO BPM	31/01/2025	532	595	1,127
CASSA DI RISPARMIO DI BRA	07/12/2023	164	-	164
INTESA SAN PAOLO - MCC Guarantee	30/09/2025	241	439	680
BANCA D'ALBA - SACE Guarantee	30/09/2026	197	546	743
BANCO BPM - MCC Guarantee	10/06/2024	337	172	509
BANCA D'ALBA - MCC Guarantee	23/07/2025	111	179	290
INTESA SAN PAOLO - MCC Guarantee	31/08/2026	245	673	918
BPER - MCC Guarantee	07/10/2026	295	912	1,207
ASCOMFIDI - MCC Guarantee	05/04/2025	31	43	74
INTESA SAN PAOLO- SACE Guarantee	31/12/2027	(3)	354	351
BANCO BPM- SACE Guarantee	31/03/2027	927	3,091	4,018
INTESA SAN PAOLO - MCC Guarantee	30/08/2028	111	556	667
BANCO BPM	29/02/2024	504	85	589
INTESA SAN PAOLO- SACE Guarantee	31/03/2029	(41)	4,861	4,820
UNICREDIT- SACE Guarantee	30/09/2030	87	2,403	2,490
Total Funding		**4,341**	**15,015**	**19,356**

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

CURRENT AND NON-CURRENT FINANCING - DISTRIBUTION OVER TIME *(Euro/000)*	**2023**	**2024**	**2025**	**2026 and beyond**	**TOTAL**
Current bank payables	3,814				3,814
Current account of non-current borrowings	4,341				4,341
Non-current bank debt	-	3,785	3,652	7,578	15,015
TOTAL	**8,155**	**3,785**	**3,652**	**7,578**	**23,170**

13. Employee benefits

The item "Employee benefits" refers exclusively to the Employee Severance Indemnity (TFR) paid by the Italian companies to their employees. The balance of the item as of 31/12/2022 was EUR 3,212,000, a decrease of EUR 267,000 from 31/12/2021.

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 31/12/2022 is shown below.

EMPLOYEE BENEFITS *(Euro/000)*	
Opening balance	**3,479**
Employee severance indemnity paid during the period	(197)
Service Cost	616
Interest Cost	66
Actuarial gains/(losses)	(601)
Units transferred to pension funds	(105)
Substitute tax	(46)
Closing balance	**3,212**

The Service Cost represents the annual cost, net of the financial component, and as of 31/12/2022 amounts to Euro 616,000.

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

ACTUARIAL ASSUMPTIONS	**31/12/2022**	**31/12/2021**
Annual technical discount rate	3.77%	0.98%
Annual inflation rate	2.30%	1.75%
Annual rate of increase in severance pay	3.23%	2.81%
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)*	
Turnover rate +1.00%	3,222
Turnover rate -1.00%	3,200
Inflation rate +0.25%	3,264
Inflation rate -0.25%	3,161
Discount rate +0.25%	3,148
Discount rate -0.25%	3,278

Service Cost and Duration	
Service Cost future annual (*Euro/000*)	449
Plan Duration (years)	12.5

Estimated future disbursements (*Euro/000*)	
Year 1	338
Year 2	320
Year 3	394
Year 4	365
Year 5	363

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

The Company had Trade Payables as of 31/12/2022 of €8,999 thousand, an increase of €2,656 thousand compared to 31/12/2021. Details are shown in the table below:

TRADE PAYABLES (*Euro/000*)	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Trade payables to suppliers	6,810	4,956	1,854	37%
Payables to subsidiaries	308	191	117	61%
Other trade payables	1,881	1,196	685	57%
Total trade payables	**8,999**	**6,343**	**2,656**	**42%**

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 as at 31/12/2022 amounted to EUR 221,000, whereas there were no changes in the previous year.

Other Current Payables show a balance as of 31/12//2022 of Euro 13,472,000, down Euro 1,037,000 from 31/12/2021. Details are shown in the table below:

OTHER NON-CURRENT AND CURRENT PAYABLES (*Euro/000*)	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Other non-current payables:				
Multi-year deferred income	221	-	221	100%
Total non-current payables	***221***	**-**	**221**	**100%**
Other current payables:				
Advances from customers on supplies in progress	7,126	5,197	1,929	37%
Advances from customers on supplies awaiting installation	3,395	6,527	(3,132)	-48%
Advances from subsidiaries on supplies in progress	-	119	(119)	-100%
Advances from subsidiaries on supplies awaiting install.	70	234	(164)	-70%
Due to social security institutes	527	512	15	3%
Due to employees	1,727	1,468	259	18%
Accrued expenses and deferred income	81	56	25	45%
Accrued expenses and deferred income on *intercompany* items	52	45	7	16%
Contributions on account	343	343	-	0%
Other payables	151	8	143	1788%
Total other current payables	***13,472***	***14,509***	***(1,037)***	**-7%**
GENERAL TOTAL	**13,693**	**14,509**	**(816)**	**-6%**

Other non-current payables include only deferred income over several years on grants for plant.

Total advance payments from customers as at 31 December 2022 amounted to EUR 10,591,000 and decreased compared to the previous year by EUR 1,486,000. 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 personnel refer to accrued but not yet paid amounts for unused holiday and residual paid leave, production bonuses, incentives accrued to management and sales personnel, and advances on travel expenses incurred in the name and on behalf of the company by employees on business trips.

15. Deferred tax liabilities

Deferred tax liabilities as of 31/12/2022 amounted to EUR 2,000, a decrease of EUR 15,000 compared to 31/12/2021.

The following table shows the changes in deferred tax liabilities during fiscal 2022 and 2021.

TAX LIABILITIES FOR DEFERRED TAXES *(Euro/000)*	
Opening balance	**17**
Increases	-
Decreases	(15)
Closing balance	**2**

A breakdown of deferred tax liabilities is provided below.

TAX LIABILITIES FOR DEFERRED TAXES - Composition *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Net foreign exchange valuation gains	-	7	(7)	-100%
Fair value differences on securities	2	10	(8)	-80%
TOTAL	**2**	**17**	**(15)**	**-88%**

16. Other current and non-current financial liabilities

Other non-current and current financial assets as at 31/12/2022 amount to EUR 4,908,000, up EUR 4,550,000 on 31/12/2021.

OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Bonds issued - portion due after 12 months	4,932	-	4,932	100%
Total non-current	***4,932***	***-***	***4,932***	***100%***
Bonds issued - portion within 12 months	(24)	358	(382)	-107%
Total Current	***(24)***	***358***	***(382)***	***-107%***
GENERAL TOTAL	**4,908**	**358**	**4,550**	**1271%**

The item includes bonds issued by the company.

During the year, the debt, recorded in the financial statements as of 31/12/2021 in the amount of EUR 358,000, related to the "Bond TM 3.80%" issued on 15/07/2018 was extinguished.

Also in the course of 2022, a bond loan was issued, so-called "Basket Bond" for a nominal value of €5 million, which, due to the recognition of the debt at amortised cost, has a negative value in the short-term portion of the debt of €24 thousand, while the debt position with maturity beyond 12 months is €4,932 thousand.

Financial indicators - *covenants*:

There are *covenants* on the Basket Bonds that require compliance with a series of economic and financial parameters throughout the term of the bonds, which vary over the various measurement periods.

For the financial statements as at 31/12/2022, the parameters are:

- NFP/EBITDA ratio ≤ 5;
- NFP/equity ratio ≤ 2.

The *covenants* have been met with reference to the figures in the consolidated financial statements as at 31/12/2022.

17. Current and non-current payables for IFRS 16

Current and non-current IFRS 16 payables as at 31/12/2022 amount to Euro 4,399,000, up Euro 855,000 euros compared to 31/12/2021.

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

CURRENT AND NON-CURRENT PAYABLES FOR IFRS 16 *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Payables for building leases	3,205	2,326	879	38%
Payables for car rental and leasing contracts	347	368	(21)	-6%
Payables for machinery and equipment hire contracts	93	153	(60)	-39%
Total non-current	***3,645***	***2,847***	***798***	***28%***
Payables for building leases	295	241	54	22%
Payables for car rental and leasing contracts	345	347	(2)	-1%
Payables for machinery and equipment hire contracts	114	109	5	5%
Total Current	***754***	***697***	***57***	***8%***
GENERAL TOTAL	**4,399**	**3,544**	**855**	**24%**

Changes in payables per IFRS 16 are shown below:

IFRS 16 PAYABLES - CHANGES *(Euro/000)*	
Payables for building leases at 31/12/2021	2,567
Payables for car rental and leasing contracts as at 31/12/2021	715
Payables for machinery and equipment hire contracts at 31/12/2021	262
Total as of 31/12/2021	**3,544**
New Contracts:	
Rental buildings	2,815
Car rental and leasing	359
Machinery and equipment rental	63
Total New Contracts	**3,237**
Reimbursements:	
Rental buildings	1,882
Car rental and leasing	382
Machinery and equipment rental	118
Total reimbursements	**2,382**
Rental buildings	3,500
Car rental and leasing	692
Machinery and equipment rental	207
Total as at 31/12/2022	**4,399**
of which:	
Payables for current IFRS 16 as of 31/12/2022	754
Payables for non-current IFRS 16 as of 31/12/2022	3,645
Payables for IFRS 16	**4,399**

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

CURRENT AND NON-CURRENT PAYABLES FOR IFRS 16 - DISTRIBUTION OVER TIME *(Euro/000)*	**2023**	**2024**	**2025**	**2026 and beyond**	**TOTAL**
Rental buildings	295	320	327	2,558	3,500
Rental and leasing fin. cars	345	231	83	33	692
Machinery and equipment rental	114	69	20	4	207
TOTAL	**754**	**620**	**430**	**2,595**	**4,399**

18. Current taxes payable

Current tax payables as of 31/12/2022 amount to EUR 386,000, up EUR 10,000 on 31/12/2021. Details are provided in the table below:

CURRENT TAX PAYABLES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Foreign VAT payables	-	22	(22)	-100%
Income tax payables	4	-	4	100%
Withholding taxes on employee income	342	326	16	5%
Other minor payables	40	28	12	43%
TOTAL	**386**	**376**	**10**	**3%**

19. Provisions for risks and charges

Provisions for risks and charges as of 31 December 2022 were Euro 472,000, an increase of Euro 50,000 compared to 31 December 2021. The following table shows a summary:

PROVISIONS FOR RISKS AND CHARGES *(Euro/000)*	**Provision for guarantee risks**	**Other funds**	**TOTAL**
Opening balance	**389**	**33**	**422**
Provisions	83	-	83
Uses during the period	-	(33)	(33)
Rounding	-	-	-
Closing balance	**472**	**0**	**472**

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.

The other provisions recorded in the previous financial statements in the amount of EUR 33,000 were entirely released during the year for the cancellation of the tax proceedings against the Company for which they had been recorded.

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 "type".

20. Total sales and changes in inventories of finished products and work in progress

Details of sales and changes in inventories are provided below:

SALES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Revenues from sales to third parties	29,895	36,714	(6,819)	-19%
Revenues from *intercompany* sales	1,573	2,021	(448)	-22%
TOTAL SALES	**31,468**	**38,735**	**(7,267)**	**-19%**

During the financial year, the Company realised Revenues from sales totalling Euro 31,468 thousand compared to Euro 38,735 thousand in the previous period, a decrease of Euro 7,267 thousand and taking into account revenues from third parties and *Intercompany* revenues.

CHANGE IN INVENTORIES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Change in inventories of work in progress and semi-finished products	2,836	(1,108)	3,944	356%
Change in inventories of finished products and goods	-	(428)	428	100%
Changes in inventories of work in progress and awaiting installation	4,957	(8,389)	13,346	159%
TOTAL	**7,793**	**(9,925)**	**17,718**	**179%**

The total change in inventories of finished goods and work in progress was Euro 9,925 thousand, an increase in absolute value of Euro 17,718 thousand.

The following tables show the breakdown of revenues by sector and geographical area.

REVENUES FROM SALES AND SERVICES - *Breakdown by Sectors*	**31/12/2022**		**31/12/2021**		**Change**
	(Euro/000)	%	*(Euro/000)*	%	*(Euro/000)*
AUTOMATION	4,118	13%	12,616	33%	(8,498)
ELECTRONICS AND LASER	4,282	14%	4,856	13%	(574)
SEMICONDUCTORS	19,949	63%	18,076	47%	1,873
SERVICE	3,119	10%	3,187	8%	(68)
TOTAL	**31,468**	**100%**	**38,735**	**100%**	**(7,267)**

REVENUES FROM SALES AND SERVICES - *Breakdown by geographical area*	**31/12/2022**		**31/12/2021**		**Change**
	(Euro/000)	%	*(Euro/000)*	%	*(Euro/000)*
ITALY	6,026	19%	8,795	23%	(2,769)
REST OF EUROPE	11,076	35%	12,368	32%	(1,292)
AMERICA	3,306	11%	7,362	19%	(4,056)
ASIA	11,060	35%	10,210	26%	850
TOTAL	**31,468**	**100%**	**38,735**	**100%**	**(7,267)**

21. Other operating revenues

Details of Other operating revenues are provided below:

OTHER OPERATING REVENUES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Capitalization of intangible fixed assets	2,320	1,154	1,166	101%
Capitalization of tangible fixed assets	-	1,245	(1,245)	-100%
Public contributions on quotation expenses	-	500	(500)	-100%
Public contributions on R&D costs	348	398	(50)	-13%
Public contributions on European projects	254	118	136	115%
Contributions on financing	-	240	(240)	-100%
Various public contributions	42	30	12	40%
Other revenues	103	26	77	296%
TOTAL	**3,067**	**3,711**	**(644)**	**-17%**

During the year, the Company realised other operating revenues totalling Euro 3,067,000 compared to Euro 3,711,000 in the previous period, a decrease of Euro 644,000.

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)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Change in inventories of raw materials	(920)	(138)	(782)	-567%
Purchase of raw materials	12,750	8,110	4,640	57%
Purchase of semi-finished products and third party processing	5,526	3,297	2,229	68%
Cost of external personnel	671	292	379	130%
Packaging and various	28	24	4	17%
TOTAL	**18,055**	**11,585**	**6,470**	**56%**

Product cost as at 31/12/2022 was Euro 18,055 thousand, an increase of Euro 6,470 thousand compared to 31/12/2021; the main components include purchases for raw materials (Euro 12,750 thousand) and for semi-finished products and processing by third parties (Euro 5,526 thousand).

23. Personnel expenses

A breakdown of Personnel costs is provided below:

PERSONNEL COSTS *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Directors' fees	501	501	-	0%
Accessory charges on directors' fees	112	58	54	93%
Wages and salaries	9,756	8,471	1,285	15%
Social security charges	2,946	2,625	321	12%
Severance pay and pension funds	616	549	67	12%
Other personnel costs	288	245	43	18%
TOTAL	**14,219**	**12,449**	**1,770**	**14%**

Personnel costs as at 31 December 2022 were EUR 14,219,000, an increase of EUR 1,770,000 compared to 31 December 2021. 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)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Purchases of materials not related to production	321	243	78	32%
Transport and storage costs	298	295	3	1%
Assistance and maintenance	169	134	35	26%
Utilities	271	203	68	33%
Insurance	219	216	3	1%
Business consulting	1,198	231	967	419%
Legal and administrative consulting	700	693	7	1%
Technical Consulting	347	267	80	30%
Fees of corporate bodies	202	118	84	71%
Intercompany services	327	334	(7)	-2%
Trade fairs, advertising and entertainment expenses	631	372	259	70%
Cleaning and disinfection expenses	122	105	17	16%
Travel and personnel miscellaneous expenses	752	614	138	22%
Financial services fees	111	83	28	34%
Other costs for services	93	56	37	66%
Short-term rentals and leases	114	33	81	245%
Software license usage fees	103	47	56	119%
Provisions	83	133	(50)	-38%
Donations	49	19	30	158%
Miscellaneous taxes and duties	59	61	(2)	-3%
Other costs	79	49	30	61%
TOTAL	**6,248**	**4,306**	**1,942**	**45%**

Other operating costs incurred by the Company during the year ended 31/12/2022 totalled Euro 6,248 thousand, up Euro 1,942 thousand from 31/12/2021.

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)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Amortization of intangible assets	546	793	(247)	-31%
Depreciation of tangible assets	1,550	1,756	(206)	-12%
Write-downs of tangible and intangible assets	-	32	(32)	-100%
Write-down of receivables	-	85	(85)	-100%
TOTAL	**2,096**	**2,666**	**(570)**	**-21%**

26. Non-recurring income and charges

Non-recurring income and expense is detailed below:

NON-RECURRING INCOME AND EXPENSES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Legal expenses	-	(250)	250	-100%
TOTAL	**-**	**(250)**	**250**	**-100%**

27. Financial income and expenses

Financial management in 2022 resulted in an overall negative balance of EUR 775,000. This item is detailed in the table below:

FINANCIAL MANAGEMENT *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
Financial income	34	1	33	3300%
Interest expense on loans and derivatives	(466)	(392)	(74)	19%
Interest expense on bonds	(10)	(22)	12	-55%
Other bank interest expenses	(181)	(227)	46	-20%
Interest expense IFRS 16	(103)	(85)	(18)	21%
Interest expense IAS 9	(66)	(17)	(49)	288%
Other financial charges	(21)	(30)	9	-30%
Net financial charges	**(813)**	**(772)**	**(41)**	**5%**
Net profit (loss) of foreign currency transactions	38	45	(7)	-16%
Total financial management	**(775)**	**(727)**	**(48)**	**7%**

28. Income taxes

Income taxes for 2022 show a net balance of Euro 97,000, primarily due to the balance of current and deferred taxation.

INCOME TAXES *(Euro/000)*	**31/12/2022**	**31/12/2021**	**Change**	**Var. %.**
IRES - tax credit pursuant to art. 73 of Law Decree 73/21	-	143	(143)	-100%
IRES for the year	-	-	-	0%
IRAP for the year	(66)	(15)	(51)	340%
Deferred tax assets	(108)	210	(318)	151%
Deferred taxes	7	(6)	13	-217%
Previous years' taxes	70	15	55	367%
Substitute taxes	-	(7)	7	100%
TOTAL	**(97)**	**340**	**(437)**	**129%**

Below is a reconciliation of the theoretical and actual tax expense:

RECONCILIATION OF THEORETICAL RATE AND EFFECTIVE RATE *(Euro/000)*	**31/12/2022**	**31/12/2021**
Pre-tax profit (loss)	935	538
IRES rate	24%	24%
Theoretical IRES on income	**(224)**	**(129)**
Tax effect of permanent differences:		
for non-taxable contributions and benefits	(560)	(1,383)
for charges recorded as a reduction in shareholders' equity	(18)	(252)
other permanent differences	254	358
Tax effect of temporary changes:		
for provisions for risks and write-downs	(61)	190
for FTA differences	(250)	(248)
other temporary differences	(50)	(57)
Total variations	**(685)**	**(1,392)**
Utilisation of tax losses and other benefits	**(250)**	**-**
EFFECTIVE TAX RESULT	**-**	**(854)**
EFFECTIVE TAX BURDEN	**-**	-
EFFECTIVE 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 2022 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;
- the subsidiaries, de jure or de facto, directly or indirectly, by public administrations, including companies with shares listed on regulated markets and their subsidiaries;
- the 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 2022, the beneficiary of which is the Company itself for all amounts.

PROVIDER	***DESCRIPTION***	***AMOUNT RECEIVED/USED*** *(Euro/000)*	***FUNDING AMOUNT*** *(Euro/000)*
European Union - Universidad Politecnica Madrid	Public contributions on R&D costs	183	183
European Union - Piedmont Region	Public contributions on R&D costs	69	69
European Union	Public contributions on R&D costs	2	2
Ministry of Economic Development	Tax credit on R&D costs	226	348
Ministry of Economic Development	Capitalization tax credit	142	-
Ministry of Economic Development	Tax credit for capital goods	18	241
Ministry of Economic Development	Energy Tax Credit	15	22
TOTAL		**655**	**865**

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 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 2022:

RELATED PARTIES *(Euro/000)*	**Osai A.S. Gmbh - Germany**	**Osai A.S. Dalian Co - China**	**Osai A.S. USA Ltd - USA**	**Osai G.T. S.B. S.r.l. - ITA**
Business and miscellaneous relationships:				
Receivables for invoices issued	766	-	11	-
Receivables for invoices to be issued	-	-	-	-
Payables for invoices received	3	237	16	-
Payables for invoices to be received	-	26	26	-
Advances from customers	70	-	-	-
Deferred income	52	-	-	-
Revenues - goods	1,309	-	91	-
Revenues - provision of services	144	-	29	-
Costs - goods	-	-	-	-
Costs - services	-	285	42	-
Financial Reports:				-
Receivables	-	-	-	-
Payables	-	-	-	-

During 2022, the Company entered into the following transactions with related parties other than subsidiaries:

RELATED PARTIES - top management functions *(Euro/000)*	***Fees***	***Receivables***	***Payables***
BoD - Directors with delegated powers	871	0	98
Board of Statutory Auditors	52	0	0

Fees of corporate bodies and auditors

Information concerning the Directors and Auditors is provided below:

Fees of corporate bodies	**Amount** *(Euro/000)*
BoD	501
Board of Statutory Auditors	52

Information concerning the auditor's fees is set out below:

Fees to the Auditing Firm *(Euro/000)*	
Statutory audit of annual accounts - statutory and consolidated financial statements	102
Attestation services	6
Other verification services performed	13
Total fees payable to the statutory auditor or audit firm	**121**

Employment data

The following table shows the average number of employees by category:

Category	**Company employees at 31/12/2021**	**Hires**	**Dismissals**	**Level changes**	**Company employees at 31/12/2022**	**Number of employees AVERAGE**
Executives	6	-	-	-	6	6
Middle Managers	9	1	-	2	12	11
Office workers	157	20	(10)	(2)	165	163
Blue collar workers	25	5	(1)	-	29	27
Total Employees	**197**	**26**	**(11)**	**0**	**212**	**207**

Information on innovative SMEs

Research and development expenses under 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 Decree Law no. 3/2022

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 as "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 costs: Euro 2,320 thousand (entirely relating to internal staff costs).

B - Greater between cost and value of production: Euro 42,328 thousand

Relationship between A and B: 5.48%

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 2022.

Development costs incurred in the reporting year were fully capitalised.

The research and technological innovation programs developed, in relation to the portion relating to the 2022 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 178/2022 (Budget Law 2022) and the related implementing decree Ministerial Decree of 26/05/2020 amounting to Euro 348,000, recorded under current assets in the balance sheet among tax credits.

Transactions deriving from atypical and/or unusual operations

During 2022, 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 31/12/2022.

SUMMARY OF FINANCIAL STATEMENTS OF SUBSIDIARIES *(Euro/000)*	***Osai A.S. Gmbh***	***Osai A.S. Dalian Co***	***Osai A.S. USA Ltd***
NON-CURRENT ASSETS	-	2	-
CURRENT ASSETS	939	286	257
TOTAL ASSETS	**939**	**288**	**257**
SHAREHOLDERS' EQUITY	6	262	243
NON-CURRENT LIABILITIES	-	-	-
CURRENT LIABILITIES	933	25	14
TOTAL LIABILITIES AND EQUITY	**939**	**287**	**257**
TOTAL SALES	1,585	328	164
OPERATING INCOME	276	329	75
EBITDA	93	18	4
EBIT	93	17	4
NET RESULT FOR THE PERIOD	**93**	**22**	**4**


Leuze electronic MLC

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING

in compliance with Article 2429, paragraph 2, of the Italian Civil Code.

Dear Shareholders,
this report, drafted in compliance 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 2022.
It should be noted that the Board of Statutory Auditors, during the financial year 2022, carried out the functions foreseen by Articles 2403 et seq. of the Italian Civil Code, while the functions foreseen by Article 2409 bis, were performed by the auditing firm BDO Italia S.p.a.
During the 2022 financial year, the Board of Statutory Auditors carried out its institutional tasks in compliance with the Italian Civil Code, the provisions of the Articles of Association and those issued by the Authorities exercising supervisory and control activities, also considering the rules of conduct suggested by the National Council of Chartered Accountants and Accounting Experts.

Supervisory activities in compliance with Article 2403 of the Italian Civil Code et seq.
During the 2022 financial year, we attended the meetings of the Board of Directors, as well as the Shareholders' Meetings, all of which were held in compliance of the articles of association, laws and regulations governing their functioning.
To perform our duties, we acquired documents, data, and information both through meetings and exchanges of information with management, the heads of corporate functions, and representatives of the Independent Auditors BDO Italia S.p.A., the Supervisory Board, and through attendance at all meetings of the Shareholders' Meeting and the Board of Directors.
As part of our control activities, we report the following:
- we monitored compliance with the law and the Articles of Association and compliance with the principles of proper administration;
- we attended all Shareholders' Meetings and meetings of the Board of Directors meetings for which, based on the information available, we have no particular findings to report;
- we have obtained information from the Board of Directors on the activities carried out and on the most significant economic, financial and asset operations carried out by the Company; we can reasonably assure that the actions resolved and implemented are in compliance with the law and the Articles of Association and are not manifestly misleading, risky, in potential conflict of interest, or in contrast with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the Company's assets
- we have acquired information from the supervisory body and no critical issues have emerged with respect to the proper implementation of the organisational model that need to be underlined in this report;

- through the collection of information from the heads of the organisational function, the Administrative Body, the independent auditors, and the Supervisory Body, we have supervised the adequacy of the organisational, administrative and accounting structure, noting its concrete functioning, also with reference to the timely detection of situations of crisis or continuity losses. In this regard, we have no particular observations to report;
- we have acquired knowledge of and supervised, to the extent of our competence, the adequacy of the internal control system and the administrative-accounting system as well as the relayability of the latter to correctly represent management events;
- we did not detect the existence of any atypical or unusual transactions, or those involving a conflict of interest;
- during the year, the Board of Statutory Auditors issued the opinions foreseen by the law, expressing, in particular, a favourable opinion on the resolution of the administrative body of 04.03.2022 regarding the approval of the "2021 Bonus" and the "2022 Key Managers Osai A.S. Sp.A. Incentive Plan", pursuant to Article 2389 of the Italian Civil Code;
- no complaints were received pursuant to art. 2408 of the Italian Civil Code or complaints from third parties;
- during the supervision activity carried out and based on the information obtained, there were no omissions, reprehensible facts, irregularities or in any case significant facts such as to require reporting or merely mentioning them in this report.

Observations on the Financial Statements

The draft financial statements for the year ended 31 December 2022, accompanied by the Directors' Report on Operations pursuant to Article 2428 of the Italian Civil Code, were approved by the Board of Directors on 27 March 2023.

The aforementioned draft financial statements as of 31 December 2022 consist of the Statement of Financial Position, Income Statement, Other Components of the Comprehensive Income Statement and Changes in Shareholders' Equity, Statement of Cash Flows and Notes to the Financial Statements.

This set of documents was made available to the Board of Auditors within the deadline foreseen by Article 2429 of the Italian Civil Code.

We have therefore examined the draft financial statements, regarding which we provide the following additional information:

- the financial statements were prepared in accordance with the provisions of the Italian Civil Code and drawn up in compliance with the International Accounting Standards (IAS/IFRS);
- since we have not been entrusted with the legal audit of the financial statements, we have supervised the general approach given to the same, its general compliance with the law as regards its formation and frame and, in this regard, we have no observations that need to be mentioned in this report;
- we have checked compliance with the laws according to the law concerning the preparation of the report on operations and we have no observations to be mentioned on this point;
- the notes to the financial statements include the information required by Article 1, paragraph 125 of Law no. 124 of 4 August 2017, as amended, concerning public deliveries;

- in addition, the explanatory notes contain the information concerning the research and development expenses incurred for the purpose of checking the requirement set forth in Article 4, paragraph 1, of Decree-Law No. 3/2015, for qualification as an "innovative SME";
- to the best of our knowledge, the Directors, in preparing the financial statements, have not departed from the law according to the provisions of Art. 2423, par. 5, of the Italian Civil Code;
- we have checked that the financial statements correspond to the facts and information of which became aware of as a result of carrying out the typical duties of the Board of Statutory Auditors and no further observations are tagged in this regard;
- we have checked, to the best of our knowledge, the accuracy of the information contained in the notes;
- the Financial Statements are consistent with the company's facts and the information of which we have become aware in the performance of our duties;
- we have verified the application of the valuation criteria foreseen in Article 2426 of the reference number of the Italian Civil Code, directing our supervisory activities to preserve the integrity of the company's assets.

Result for the financial year

The net result ascertained by the board of directors regarding the financial year ended 31 December 2022, as is also evident from reading the financial statements and the report on operations, is a positive EUR 837,658.16.

Based on the information available, there are no comments on the proposal of the Board of Directors regarding the allocation of the year's result, noting, however, that the decision on this matter is up to the Shareholders' Meeting.

The Board of Statutory Auditors also acknowledges that the independent auditors BDO Italia S.p.A. issued a report on 12 April 2023 pursuant to Article 14 of Legislative Decree no. 27. No. 39 of 27 January 2010, certifying that the financial statements for the financial year as at 31 December 2022 provide a true and fair view of the company's financial position of the company as at 31 December 2022, the result income and cash flows for the year then ended, in accordance with the International Financial Reporting Standards adopted by the European Union.

Pursuant to Article 14(2)(e) of Legislative Decree No. 39/2010, the Independent Auditors certified that the Control Report is consistent with the financial statements of Osai A.S. S.p.A. as at 31 December 2022 and have been prepared in accordance with the law.

Observations on the Consolidated Financial Statements

The Board of Statutory Auditors has noted that the Company has prepared the consolidated financial statements and has also subjected them to legal audit by the auditing firm BDO Italia S.p.A.

The Board of Statutory Auditors monitored compliance with the procedural rules pertaining to the preparation of the consolidated financial statements, obtaining information from the Board of Directors on the most significant transactions in the context of group relations. In this regard, we have no particular observations to report.

Final observations and proposals regarding the approval of the financial statements

In light of the foregoing, the Board of Statutory Auditors, taking into account the information received from the Company and considering the content of the report prepared by BDO Italia S.p.a., does not find, under the profiles of its own competence, any reasons to prevent the approval of the draft Financial Statements as at 31 December 2022, as prepared by the Board of Directors.

The Board of Statutory Auditors agrees with the proposal formulated by the Board of Directors regarding the allocation of the profit for the year.

Turin, 12 April 2023

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, 2022

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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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, 2022, 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, 2022 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.

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 31,2022, 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 31,2022 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 31,2022 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, 12 April 2023

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, 2022

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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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 2022, 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 2022 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.

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:

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- 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, 2022, 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, 2022 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, 2022 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, 12 April 2023

BDO Italia S.p.A.

Signed by Anna Maria Bongiovanni
Partner


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