

Civitanavi Systems S.p.A.

Interim Report

Operating Revenues as of 30 September 2022





This is an English translation of the original Italian document. In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails.

Company Data and Governance

Registered office of the Company

Civitanavi Systems S.p.A.
Via del Progresso 5, 63827
Pedaso (FM) - Italy
VAT no. IT01795210432

Corporate website

<https://www.civitanavi.com>

Board of Directors

Andrea Pizzarulli	Chairman of the Board of Directors and CEO
Michael Perlmutter	Executive director
Thomas Jung	Non-executive director
Mario Damiani	Non-executive director
Laura Guazzoni	Independent director*
Maria Serena Chiucchi	Independent director*
Tullio Rozzi	Independent director*

Lead Independent Director: Laura Guazzoni

Remuneration and Appointments Committee

Laura Guazzoni	Chairwoman
Maria Serena Chiucchi	Member
Tullio Rozzi	Member

Control and Risk Committee

Laura Guazzoni	Chairwoman
Maria Serena Chiucchi	Member
Tullio Rozzi	Member

Board of Statutory Auditors

Marco Donadio	Chairman of the Board of Statutory Auditors
Cesare Tomassetti	Standing Statutory Auditor
Eleonora Mori	Standing Statutory Auditor
Giuseppe Mogliani	Alternate Statutory Auditor
Daniela Angeloni	Alternate Statutory Auditor

Auditing Firm BDO Italia S.p.A.

Manager In Charge Of Financial Reporting Letizia Galletti

Supervisory Body Antonio Francesco Morone

**Independent director pursuant to art. 148, paragraph 3 of the (It.) Consolidated Law on Finance [TUF], as cited in Art. 147-ter, paragraph 4 of the TUF and pursuant to the Corporate Governance Code.*

Methodological note

Values are reported in thousand euro, unless expressly stated. Percentage ratios, margins and variations, have been calculated referring to punctual euro values.



Introduction

Civitanavi Systems S.p.A. (hereinafter “**Civitanavi**” or the “**Company**”) is a company incorporated and domiciled in Italy, with registered office in Pedaso (FM), Via del Progresso no. 5, organised in accordance with the legal system of the Italian Republic.

Civitanavi is controlled by the company Civitanavi Systems Ltd, which directly owns 72.6% of the share capital, while the remaining quota is owned by floating shareholders.

The company operates in the design, development and production of inertial navigation and stabilisation systems used in the industrial (mining, oil & gas) and aerospace and defence (naval, land, aeronautics, and space) segments. The Company is a vertically integrated supplier of highly accurate systems, designed and manufactured with proprietary methods and techniques, based on FOG (Fiber Optic Gyroscope) and MEMS (Micro Electro Mechanical Systems) technology, possibly also integrated with other satellite navigation devices (GPS, air speed data, odometers, etc.). The inertial navigation and stabilisation systems produced by the Company, thanks to the application of the aforementioned FOG and MEMS technologies, enable (i) autonomous and high-precision inertial navigation (without a GPS), (ii) stabilisation, (iii) precise orientation (direction with reference to the geographical north) of the mobile device on which they are applied.

The company carries out its activity at the registered office and production site of Pedaso (FM) and at two additional sites, in Ardea (RM) and in Casoria (NA).

In 2020, Civitanavi incorporated a company in London, mainly dedicated to sales activities; the English subsidiary is not yet operative at the date of this document.

Operating revenues

Operating revenues as of September 30th, 2022, amounted to Eur 19,828 thousand, an increase of Eur 3,333 thousand (+20%) compared to Eur 16,495 thousand recorded in the first nine months of 2021.

This report has been prepared in compliance with the EU-IFRS.

<i>in Eur thousands</i>	As of 30 September 2022	As of 30 September 2021	Changes %
Operating revenues	19,828	16,495	20%

The table below shows the division of revenues by "type":

<i>in Eur thousands</i>	As of 30 September 2022	As of 30 September 2021	Changes %
Revenues from product sales	12,417	9,415	32%
Revenues from services	885	601	47%
Revenues from royalties	353	84	319%
Changes in Assets for work in progress on order	4,951	4,126	20%
Operating revenues net of the change in FP/SFP inventories	18,606	14,227	31%
Change in inventories of finished and semi-finished products	1,222	2,269	(46%)
Total Operating revenues	19,828	16,495	20%

Operating revenues net of change in inventories of finished and semi-finished products increased by 31% in the first nine months of 2022 compared to the same period in 2021. All revenue streams show a significant increase compared to the previous period, while there is a decrease of inventories of semi-finished products and finished products for 46%, thus showing operating revenues at 30 September 2022 up by 20% compared to the same period of the previous year.

The results achieved during the quarter are characterized by a solid and stable growth and consolidate our position in the inertial stabilisation and navigation systems sector globally.

To correctly assess the results, we would remember that the Company is subject to seasonal phenomena and traditionally records peaks in the second half of the reference year, mainly in the last quarter.

With reference to the business divisions in which the Company operates, the table below shows the data achieved in the first nine months of 2022 compared to the same period of the previous year.



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<i>in Eur thousands</i>	As of 30 September 2022	% of the 2022 total	As of 30 September 2021	% of the 2021 total	Changes %
Aeronautics	4,800	26%	2,158	15%	122%
Land defence	1,123	6%	938	7%	20%
Space	2,909	16%	2,005	14%	45%
Other (Naval, Submarine, Guidance)	4,505	24%	2,714	19%	66%
Total Aerospace and Defence	13,337	72%	7,815	55%	71%
Industrial	4,624	25%	6,325	44%	(27%)
Other	645	3%	87	1%	645%
Operating revenues net of the change in FP/SFP inventories	18,606	100%	14,227	100%	31%
Change in inventories of finished and semi-finished products	1,222		2,269		(46%)
Total Operating revenues	19,828		16,495		20%

During the first nine months of the year 2022, the Company achieved a solid performance in all business divisions, confirming a significant growth in the Aerospace and Defence sector.

Civitanavi strengthens its position in all its core business segments, except for the Industrial division, which shows a temporary drop due to the import and re-export rules in the country of the reference customer, which is causing revenues to be postponed to the following year.

Civitanavi considers that these dynamics will lead to the achievement of Total Revenues for the year 2022 of about Eur 32 million, up 27% compared to the close of 2021. We confirm, to date, our expectations in terms of margins (adjusted EBITDA margin) of about 31% of total revenues, despite the increases/shortages in the semiconductor sector and external productions due to the increase in the cost of raw materials and energy.

As regards to the geographical area, the table below shows the data achieved as of September 30th, 2022, compared to the same period of the previous year.

<i>in Eur thousands</i>	As of 30 September 2022	% of the 2022 total	As of 30 September 2021	% of the 2021 total	Changes %
Italy	2,482	13%	1,868	13%	33%
EMEA (except Italy)	11,267	61%	5,495	39%	105%
APAC	3,601	19%	5,599	39%	(36%)
USA	1,256	7%	1,264	9%	(1%)
Rest of the World	0	0%	0	0%	0%
Operating revenues net of the change in FP/SFP inventories	18,606	100%	14,227	100%	31%
Change in inventories of finished and semi-finished products	1,222		2,269		(46%)
Total Operating revenues	19,828		16,495		20%

The company guarantees its presence in the main international markets with an adequate geographical diversification of the customer portfolio.

As of September 30th, 2022, revenues generated in Italy amounted to Eur 2,482 thousand, up 33% compared to the same period of 2021. The company considers it strategic to maintain a portion of its business in the domestic area, with the international market remaining its reference market.

In the EMEA region (excluding Italy), revenues amounted to Eur 11,267 thousand as of September 30th, 2022, more than doubled compared to Eur 5,495 thousand in the same period of 2021. The increase is mainly attributable to the commercial contract recently signed by the Aerospace and Defense division that will lead to an expansion of the EMEA region.

Regarding the APAC region, revenues of Eur 3,601 thousand were recorded for September 30th, 2022, compared to Eur 5,599 thousand for the same interval of 2021. The decrease was attributable to the industrial sector discussed above.

The US market generated operating revenues of Eur 1,256 thousand, slightly down from the first nine months of 2021.

Please note that the Company does not entertain trade relations of any kind with the Russian Federation, Belarus and Ukraine.



Booking 2022 - orders received

An important indicator of the growth of the Company's activities is given by the evolution recorded by the orders acquired within the period, whether or not they were fulfilled within the same (a phenomenon known as "Booking"). During the last years from 2018 to 2021, the Company's Booking was constantly growing, registering in 2021 a record in terms of orders acquired during a year.

	2018	2019	2020	2021
Booking (in Eur thousands)	13,949	13,452	18,063	29,817
% of Total Revenue	132%	78%	95%	119%

As of September 30th, 2022, Booking amounted to Eur 28,906 thousand with a book to bill equal to 1.46.

At the date of this document, 28 October 2022, orders received amounted to Eur 30,364 thousand, exceeding the results achieved in the 12 months of the previous year, confirming the growth trend of the company.

The Company remains confident about long-term demand trends in our industry, fueled by its distinctive competitive characteristics.

Pedaso, 28 October 2022

Attestation of Manager in charge of Financial Reporting

Letizia Galletti, as the Manager in Charge of drawing up the corporate accounting documents, hereby declares - pursuant to paragraph 2, article 154-bis of Legislative Decree no. 58 of 1998 ("Consolidated Law on Finance") - that the accounting information contained in this release corresponds to the balances on the books of account and the accounting records and entries.

The figures included in this report are not subject to audit. This document may contain forward looking statements which reflect Management's current views and estimates. The forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.