

TECHBAU S.P.A.

Financial Statements as at 30 June 2022

Company details

Company name: TECHBAU SPA
Offices: PIAZZA GIOVINE ITALIA 3 MILAN MI
Share capital: 10,050,000.00
Share capital fully paid-up: yes
Chamber of Commerce code: MI
VAT No.: 06336690968
Tax Code: 06336690968
REA (Register of Economic & Administrative information) number: 1922561
Legal form: JOINT-STOCK COMPANY
Classification of Economic Activity (ATECO): 412000
Company in liquidation: no
Sole-shareholder company: no
Company subject to third party management and coordination: no
Name of company or body which exercises management and coordination:
Group membership: yes
Name of group parent company: TECHBAU SPA
Country of group parent company: ITALY
Registration identification number in cooperatives register:

Financial Statements as at 30/06/2022

Ordinary Statement of Financial Position

	30/06/2022	30/06/2021
Assets		
B) Fixed Assets		
I - Intangible fixed assets	-	-
3) Industrial patent and intellectual property rights	35,180	38,433
4) Concessions, licenses, trademarks and similar rights	1,532	-
7) other	4,521,884	4,865,480
<i>Total intangible fixed assets</i>	<i>4,558,596</i>	<i>4,903,913</i>
II - Tangible fixed assets	-	-
1) Land and buildings	1,240,980	21,966
3) Industrial and commercial equipment	22,500	76,806
4) other assets	552,077	575,756
<i>Total tangible fixed assets</i>	<i>1,815,557</i>	<i>674,528</i>
III - Financial fixed assets	-	-
1) equity investments in:	-	-
a) subsidiary companies	6,654,076	454,493
b) affiliated companies	520,002	520,001
<i>Total equity investments</i>	<i>7,174,078</i>	<i>974,494</i>
2) Receivables	-	-
a) from subsidiaries	378,160	568,500
due within the next year	378,160	568,500
<i>Total receivables</i>	<i>378,160</i>	<i>568,500</i>
4) derivative financial instruments assets	373,576	-
<i>Total financial fixed assets</i>	<i>7,925,814</i>	<i>1,542,994</i>
<i>Total fixed assets (B)</i>	<i>14,299,967</i>	<i>7,121,435</i>
C) Current assets		
I - Inventories	-	-
3) Contract work in progress	158,292,096	377,412,685
5) Advances	4,827,410	2,252,074
<i>Total inventories</i>	<i>163,119,506</i>	<i>379,664,759</i>
II - Receivables	-	-
1) from customers	41,306,923	45,952,410

	30/06/2022	30/06/2021
due within the next year	41,306,923	45,952,410
2) from subsidiaries	4,306,890	235,460
due within the next year	4,306,890	235,460
5-bis) tax receivables	126,975	1,027,106
due within the next year	126,975	1,027,106
5-ter) prepaid taxes	981,466	717,466
5-quater) other receivables	10,629,562	11,626,467
due within the next year	6,744,252	11,626,467
due beyond the next year	3,885,310	-
<i>Total receivables</i>	<i>57,351,816</i>	<i>59,558,909</i>
III - Financial assets that are not fixed assets	-	-
6) other securities	9,283,110	7,072,263
<i>Total financial assets not classified as fixed assets.</i>	<i>9,283,110</i>	<i>7,072,263</i>
IV - Cash and cash equivalents	-	-
1) Bank and post office deposits	127,432,875	81,440,423
3) cash and other valuables on hand	5,600	1,993
<i>Total cash and cash equivalents</i>	<i>127,438,475</i>	<i>81,442,416</i>
<i>Total current assets (C)</i>	<i>357,192,907</i>	<i>527,738,347</i>
D) Accruals and deferrals	454,687	246,273
<i>Total assets</i>	<i>371,947,561</i>	<i>535,106,055</i>
Liabilities		
A) Shareholders' Equity	52,646,071	41,284,037
I - Share Capital	10,050,000	9,698,833
II - Share premium reserve	759,852	759,852
IV - Legal reserve	1,939,767	1,234,579
VII - Other reserves, specified separately	-	-
Extraordinary reserve	20,198,024	6,376,639
Sundry other reserves	1	-
<i>Total other reserves</i>	<i>20,198,025</i>	<i>6,376,639</i>
VII - Reserve for expected cash flow hedging transactions	283,918	(163,605)
IX - Profit (loss) for the year	19,414,509	23,377,739
Total shareholders' equity	52,646,071	41,284,037
B) Provisions for risks and charges		

	30/06/2022	30/06/2021
2) reserves for taxes, including deferred	89,658	-
3) financial derivative instruments liabilities	-	163,605
4) other	1,100,000	1,072,000
<i>Total provisions for risks and charges</i>	<i>1,189,658</i>	<i>1,235,605</i>
C) Employees' severance pay	28,555	30,566
D) Payables		
4) Payables to banks	70,374,950	51,747,549
due within the next year	13,793,671	14,327,071
due beyond the next year	56,581,279	37,420,478
6) Advances	97,590,889	314,872,054
due within the next year	97,590,889	314,872,054
7) payables to suppliers	117,709,228	108,372,331
due within the next year	117,709,228	108,372,331
9) payables to subsidiaries	7,624,461	4,770,825
due within the next year	7,624,461	4,770,825
12) Tax payables	10,692,250	9,831,489
due within the next year	10,692,250	9,831,489
13) payables to Pension and Social Security Institutions	835,289	645,581
due within the next year	835,289	645,581
14) other payables	8,817,232	2,316,018
due within the next year	8,817,232	2,316,018
<i>Total payables</i>	<i>313,644,299</i>	<i>492,555,847</i>
E) Accruals and deferrals	4,438,978	-
<i>Total liabilities</i>	<i>371,947,561</i>	<i>535,106,055</i>

Ordinary Income Statement

	30/06/2022	30/06/2021
A) Value of production		
1) revenues from sales and services	511,276,264	273,241,827
3) changes in work-in-progress on order	(218,854,737)	58,438,430

	30/06/2022	30/06/2021
5) other revenues and income	-	-
others	8,100,918	2,159,697
<i>Total other revenues and income</i>	<i>8,100,918</i>	<i>2,159,697</i>
<i>Total value of production</i>	<i>300,522,445</i>	<i>333,839,954</i>
B) Cost of production		
6) raw and ancillary materials, consumables and goods	94,324,010	116,444,495
7) services	163,650,585	177,458,874
8) use of third-party assets	4,190,493	3,516,280
9) personnel	-	-
a) salaries and wages	7,758,791	6,332,848
b) social security charges	2,457,206	1,993,635
c) employee severance pay	479,018	391,786
e) other costs	52,870	26,616
<i>Total personnel costs</i>	<i>10,747,885</i>	<i>8,744,885</i>
10) amortisation/depreciation and write-downs	-	-
a) Amortisation of intangible fixed assets	400,930	361,594
b) depreciation of tangible fixed assets	262,041	311,868
d) Write-downs of receivables included in current assets and of cash and cash equivalents	1,246,289	251,346
<i>Total amortisation/depreciation and write-downs</i>	<i>1,909,260</i>	<i>924,808</i>
13) other allocations	376,987	83,135
14) other operating expenses	1,372,090	1,317,966
<i>Total production costs</i>	<i>276,571,310</i>	<i>308,490,443</i>
Difference between value and costs of production (A - B)	23,951,135	25,349,511
C) Financial income and expenses		
15) Income from equity investments	-	-
from subsidiary companies	6,745,012	5,580,000
from affiliated companies	-	45,600
<i>Total income from equity investments</i>	<i>6,745,012</i>	<i>5,625,600</i>
16) other financial income	-	-
c) from securities classified as current assets which are not equity investments	112,400	19,789
d) Income other than the above	-	-
others	67,600	88,266

	30/06/2022	30/06/2021
<i>Total income other than the above</i>	67,600	88,266
<i>Total other financial income</i>	180,000	108,055
17) interests and other financial expenses	-	-
from subsidiaries	-	10,005
others	2,598,994	548,248
<i>Total interests and other financial expenses</i>	2,598,994	558,253
17 bis) currency exchange gains and losses	(7)	103
<i>Total financial income and expenses (15+16-17+-17-bis)</i>	4,326,011	5,175,505
D) Value adjustments on financial assets and liabilities		
19) write-downs	-	-
a) of equity investments	293,855	-
b) of financial fixed assets which are not equity investments	40,000	-
c) of securities classified as current assets which are not equity investments	570,469	244
<i>Total write-downs</i>	904,324	244
<i>Total valuation adjustments to financial assets and liabilities (18-19)</i>	(904,324)	(244)
Result before taxes (A-B+-C+-D)	27,372,822	30,524,772
20) Income tax for the year (current, deferred and prepaid)		
current taxes	8,309,596	7,015,204
Taxes relevant to previous financial years	(87,283)	-
deferred and prepaid taxes	(264,000)	131,829
<i>Total income tax for the year (current, deferred and prepaid)</i>	7,958,313	7,147,033
21) Profit (loss) for the year	19,414,509	23,377,739

Cash flow statement, indirect method

	Amount as of 30/06/2022	Amount as of 30/06/2021
A) Financial flows deriving from operating activities (indirect method)		
Profit (loss) for the year	19,414,509	23,377,739
Income taxes	7,958,313	7,147,033
Interest payable/(interest receivable)	2,418,994	450,198
(Dividends)	(6,745,012)	(5,580,000)
(Capital gains)/Capital losses from transfer of assets	(24,892)	(46,422)
<i>1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from disposals</i>	<i>23,021,912</i>	<i>25,348,548</i>
Adjustments for non-monetary items that had no counterpart in net working capital		
Allocations to reserves	1,626,174	1,117,632
Amortisation and depreciation of fixed assets	662,971	673,462
Adjustments of the value of financial assets and liabilities of derivative financial instruments that do not involve monetary transactions	(89,656)	
Other increases/(decreases) for non-monetary items	769,150	(413,876)
<i>Total adjustments for non-monetary items with no contra-entry in net working capital</i>	<i>2,968,639</i>	<i>1,377,218</i>
<i>2) Financial flow before variations of the net working capital</i>	<i>25,990,551</i>	<i>26,725,766</i>
Changes in net working capital		
Decrease/(increase) of inventories	216,545,253	(56,494,500)
Decrease/(increase) of receivables from customers	(672,232)	1,124,365
Increase/(decrease) of payables to suppliers	12,345,329	21,489,391
Decrease/(increase) in accrued income and prepaid expenses	(228,036)	(68,220)
Increase/(decrease) of accrued expenses and deferred income	4,334,221	
Other decreases/(other increases) in net working capital	(208,440,038)	6,907,707
<i>Total variations in net working capital</i>	<i>23,884,497</i>	<i>(27,041,257)</i>
<i>3) Financial flow after variations of the net working capital</i>	<i>49,875,048</i>	<i>(315,491)</i>
Other adjustments		
Interest received/(paid)	(2,351,994)	(461,564)
(Income tax paid)	(7,871,030)	(7,015,204)
Dividends received	6,745,012	5,580,000

	Amount as of 30/06/2022	Amount as of 30/06/2021
(Uses of the funds)	(264,238)	(793,639)
Other collections/(payments)	37,757	11,366
<i>Total other adjustments</i>	<i>(3,704,493)</i>	<i>(2,679,041)</i>
Financial flow of operating activities (A)	46,170,555	(2,994,532)
B) Financial flows deriving from investment activities		
Tangible fixed assets		
(Investments)	(1,411,198)	(368,628)
Disinvestments	33,020	5,451
Intangible fixed assets		
(Investments)	(55,613)	(46,043)
Financial fixed assets		
(Investments)	(6,246,790)	(408,067)
Disinvestments	160,000	2,160,000
Current financial assets		
(Investments)	(2,781,316)	(1,402,606)
Disinvestments		498,968
Financial flow of investment activity (B)	(10,301,897)	439,075
C) Cash flows from financing activities		
Third-party financing		
Increase (decrease) in short-term payables to banks	7,434	531
Loans taken out	102,509,126	33,871,993
(Loans repayment)	(83,889,159)	(3,957,674)
Shareholders' equity		
(Dividends and advances on paid dividends)	(8,500,000)	(6,000,000)
Cash flow of financing activity (C)	10,127,401	23,914,850
Increase (decrease) of cash and cash equivalents (A ± B ± C)	45,996,059	21,359,393
Cash and cash equivalents at year start		
Bank and postal deposits	81,440,423	60,077,058
Cash and equivalents on hand	1,993	5,965
Total cash and cash equivalents at year start	81,442,416	60,083,023
Cash and cash equivalents at year end		
Bank and postal deposits	127,432,875	81,440,423

	Amount as of 30/06/2022	Amount as of 30/06/2021
Cash and equivalents on hand	5,600	1,993
Total cash and cash equivalents at year end	127,438,475	81,442,416
Balancing difference		

Notes to the Cash Flow Statement

The cash flow statement provides information useful for assessing the company's financial position, including liquidity and solvency, in the year under review, as well as its development in subsequent years.

An examination of the Cash flow statement shows that the company has liquidity of EUR 127,438,475, an increase of EUR 45,996,059 over the previous year. This change is the combined result of changes in the flows of operating, investing and financing activities. In particular, flows related to investment activities are negative for a total of EUR 10,301,897 and were mainly characterised by investments in tangible fixed assets (EUR 1,411,198), mainly for the real estate investment of the Rome offices where a local unit was activated, and investments in financial fixed assets (EUR 6,246,790), which reflect purchases and/or increases in equity investments intended to remain in the company's assets on a long-term basis.

On the other hand, cash flows from financing activities were positive in the amount of EUR 10,127,401, for new loans received from third parties to support, mainly, working capital activities and the progress of existing real estate projects, net of repayments made and dividends distributed.

Notes to the financial statements, first part

These Notes to the financial statements form an integral part of the Financial Statements as at 30/06/2022.

The year under review closed with a profit of EUR 19,414,509, which compares with the previous year's profit of EUR 23,377,739. This result is shown net of depreciation and amortisation of EUR 662,971, write-downs of EUR 1,246,289, provisions of EUR 376,987, and taxes of EUR 8,309,596. Shareholders' Equity amounted to EUR 52,646,071.

The Financial Statements are compliant with the provisions of articles 2423 et seq. of the Italian Civil Code and with the national accounting standards as published by the Organismo Italiano di Contabilità (Italian Accounting Organisation); therefore they provide a clear, truthful representation of the equity and financial position of the company and the operating result for the period.

The contents of the Statement of Financial Position and of the Income Statement are those envisaged by Articles 2424 and 2425 of the Italian Civil Code, while the Cash flow statement was drawn up in compliance with Art. 2425-ter.

These Notes to the Financial Statements, prepared in accordance with Article 2427 of the Italian Civil Code, also contain all the information needed to provide a correct interpretation of the financial statements.

Significant events during the year

Please refer to the information provided in the Management Report for an examination and analysis of the significant events that occurred during the year.

Criteria for the preparation of the financial statements

Preparation of the financial statements

The information contained in this document is presented in the order in which the relative items are indicated in the statement of financial position and in the income statement.

With reference to what is indicated in the introductory part of these Notes to the financial statements, we certify that, pursuant to Art.2423, 3rd paragraph of the Italian Civil Code, if the information required by specific provisions of the law is not sufficient to give a true and fair view of the company's situation, the additional information deemed necessary for the purpose is provided.

The Financial statements for the year including these Notes to the financial statements have been drawn up in Euro units.

Accounting principles

The valuation of the items in the Financial Statements was carried out in accordance with the principle of conservatism, materiality and on a going concern basis. Pursuant to Article 2423-bis(1)(1-bis) of the Italian Civil Code, items are recognised and presented taking into account the substance of the transaction or contract. In the preparation of the Financial Statements, proceeds and expenses have been recorded on an accruals basis regardless of the actual date of payment and only the profits realised at the end of the financial year have been indicated. Moreover, the risks and losses relating to the financial year have been considered even if they only became known after its end.

The valuation of the elements comprising the individual items of assets or liabilities was carried out separately, in order to avoid the possibility that the capital gains of some elements could offset the capital losses of others.

Where offsetting is permitted by law, the gross amounts subject to offsetting are disclosed in the Notes to the Financial Statements.

Structure and contents of the Financial Statements

The Statement of Financial Position, Income Statement and Cash Flow Statement and the accounting information contained in these Notes to the financial statements are consistent with the company's books, from which they were directly derived.

In the presentation of the Statement of Financial Position and Income Statement, items preceded by Arabic numerals have not been grouped together, as optionally required by Article 2423 ter of the Italian Civil Code.

In accordance with art. 2424 of the Italian Civil Code, we can confirm that there are no items on the assets or liabilities that fall under more than one item of the Financial Statements.

Exceptional cases pursuant to Article 2423, paragraph 5, of the Italian Civil Code

There were no exceptional cases that made it necessary to make use of the derogations provided for in Article 2423, paragraphs 4 and 5 of the Italian Civil Code.

Changes in accounting principles

There were no exceptional cases that made it necessary to resort to derogations pursuant to Article 2423-bis paragraph 2 of the Italian Civil Code.

Correction of material misstatements

There were no cases of errors that could be defined as material in accordance with the provisions of accounting standard OIC 29.

Comparability and adaptation issues

Pursuant to Article 2423 ter of the Italian Civil Code, it should be noted that some Financial Statements items were not comparable with the previous year; it was therefore necessary to adjust the following Statement of Financial Position and Income Statement items. The different classification is a consequence of the adoption of a new computer programme for the preparation of the Financial Statements and did not have an impact on Shareholders' Equity and the result for the year.

STATEMENT OF FINANCIAL POSITION	AMOUNT		ITEM CLASSIFICATION FILED 30/06/2021 FINANCIAL STATEMENTS	FINANCIAL STATEMENTS ITEM RECLASSIFICATION COMPARED WITH 30/06/2022
	DEBITS	CREDITS		
Guarantee deposits	256,309.09		B) III Financial fixed assets 2 d-bis) Receivables from others	C) Current assets II 5-quater) Receivables from others
INCOME STATEMENT				
Inbound freight	321,568.20		B) 6) Raw materials production costs	B) 7) Services production costs
Work clothing	28,773.18		B) 9) Personnel production costs e) Other costs	B) 6) Raw materials production costs
Company canteen service	97,165.75		B) 9) Personnel production costs e) Other costs	B) 7) Services production costs
Gifts < EUR 50	10,890.76		B) 7) Services production costs	B) 14) Other operating expenses
Gifts > EUR 50	900.00		B) 7) Services production costs	B) 14) Other operating expenses
Entertainment expenses	1,845.31		B) 7) Services production costs	B) 14) Other operating expenses
Board and lodging entertainment expenses	29,978.02		B) 7) Services production costs	B) 14) Other operating expenses
Various non-deductible expenses	16,359.34		B) 14) Other operating expenses	B) 7) Services production costs

Valuation criteria applied

The criteria applied in the valuation of the items of the financial statements and value adjustments comply with the provisions of the Italian Civil Code and the indications given in the accounting standards issued by the Organismo Italiano di Contabilità (Italian Accounting Organisation). These have not changed from last year.

Pursuant to Article 2427, paragraph 1, no. 1 of the Italian Civil Code, we illustrate the most significant valuation criteria adopted in compliance with the provisions of Article 2426 of the Italian Civil Code, with particular reference to those Financial Statements items for which the legislator allows different valuation and adjustment criteria or for which no specific criteria are envisaged.

At the accounts closing date, the company held balance sheet items in foreign currency; however, it is considered that the changes in exchange rates occurring after the end of the year are not significant.

The accounting values denominated in foreign currencies have been entered after conversion into Euro according to the exchange rate applicable at the time of recognition, that is, at the exchange rate at the financial year-end date as specified by accounting standard OIC 26.

Going concern

These Financial Statements have been prepared on a going concern basis.

The risks related to the business are described in the Management Report, just as the initiatives aimed at pursuing the objectives and increasing the value of the Company are highlighted in the same document.

The valuation of the items in the Financial Statements was carried out on a going concern basis and therefore taking into account the fact that the company constitutes a functioning economic complex, destined, at least for a foreseeable future period of not less than twelve months from the Financial Statements date, to produce income. No significant uncertainties arose in the forward-looking assessment of the going concern basis.

Intangible fixed assets

Intangible fixed assets are recognised as assets when they are individually identifiable and their cost can be estimated with sufficient reliability.

Intangible fixed assets are recorded under assets, with the consent of the Board of Statutory Auditors, where applicable, at purchase cost, including incidental expenses, net of the related amortisation charge, calculated taking into account the long-term usefulness of the assets, and in any case for a period not exceeding five years.

The “Other Intangible Fixed Assets” item consist of “Incremental leasehold Expenses” and are amortised over the term of the relevant lease agreement, as this principle is expressly provided for in Art. 103 par. 2 of Presidential Decree 917/86, also consistent with Accounting Standard OIC 24.

The intangible fixed asset amortisation criterion has been applied systematically each year, in relation to the residual useful economic life of each individual asset or expense.

In accordance with and pursuant to art. 10 of law no. 72 of 19 March 1983, and as also mentioned by the subsequent monetary adjustment laws, we specify that for the intangible assets that continue to comprise the assets, no monetary adjustments have ever been made.

It should be noted that there were no write-downs on these fixed assets pursuant to Art. 2426 paragraph 1 no. 3 of the Italian Civil Code since, as envisaged by accounting standard OIC 9, there were no indicators of potential permanent losses in the value of intangible fixed assets.

Tangible fixed assets

Tangible fixed assets are recorded at purchase cost, including any ancillary charges, adjusted by appropriate depreciation taking into account the technical and economic deterioration over time.

Ordinary maintenance costs were charged in full to the Income Statement in the year in which they were incurred.

The depreciation criteria for tangible fixed assets have not changed with respect to those applied in the previous year. The amortisation rates applied are as follows:

Commercial Buildings	3%
Industrial and commercial equipment	40%
Ordinary office machines and furniture	12%
Electronic office machines	20%
Mobile telephony	20%
Vehicles	20%

Motor vehicles	25%
Other tangible assets	12.50%

Disposals of assets (sales, scrapping, etc.) during the year result in the elimination of their residual value. Any difference between book value and disposal value is recognised in the Income Statement.

Pursuant to and for the effects of Art. 10 of law no. 72 of 19 March 1983, as also incorporated into subsequent monetary revaluation laws, it is specified that no monetary revaluation was effected in equity with regards to the Company's tangible assets.

It should be noted that no write-downs were required pursuant to Art. 2426 paragraph 1 no. 3 of the Italian Civil Code since, as envisaged by accounting standard OIC 9, there were no indicators of potential permanent losses in value of tangible fixed assets.

Land and buildings

The company has separately accounted for the part of the land underneath the owned commercial buildings and no depreciation has been applied for it, as these are assets for which no exhaustion of future usefulness is foreseen

Write-downs due to impairment

Write-downs due to impairment of tangible and intangible fixed assets, should the prerequisites occur, would be accounted for in accordance with the provisions of accounting standard OIC 9.

If these assumptions were met, the company would estimate the recoverable amount of the fixed asset.

In particular, if the recoverable amount of an asset (i.e. the higher of its value in use and its fair value less costs to sell) were lower than its carrying amount, the asset would be recognised at this lower value and the difference would be recognised in the Income Statement under item B10 C) as an impairment.

If, in subsequent years, the reasons for the write-down should cease to exist, the original value would be reinstated, adjusted only for amortisation or depreciation. Reversals of impairment would be recognised under item A5.

Financial fixed assets

Equity investments

Equity investments recorded as financial fixed assets are intended to remain in the Company's assets on a long-term basis, otherwise they would be recorded as current assets.

Equity investments in companies are recorded and valued at purchase or incorporation cost, including any incidental expenses. The cost incurred at the time of purchase of a long-term equity investment is maintained in the Financial Statements of subsequent years, unless an impairment occurs. The Company assesses at the end of each financial year whether there are any indicators that a fixed asset may be impaired. The impairment is determined by comparing the carrying amount of the investment with its recoverable amount, determined on the basis of the future benefits expected to accrue to the investor. The write-down for impairment is not maintained if the conditions for the adjustment are no longer met.

Receivables

Long-term receivables (represented by loans to subsidiaries) are valued on an analytical basis and recorded at their estimated realisable value, which is equal to their nominal value.

For all receivables for which application of the amortised cost and/or discounting method was found to be irrelevant, the principle of reporting on the basis of the presumed realisable value was maintained in order to provide a true and fair view of the company's equity and financial position. This circumstance occurred for example in the presence of

receivables due before twelve months or, with reference to the criterion of amortised cost, if transaction costs, commissions and any other difference between initial value and maturity value were immaterial or also, in the case of discounting, in the presence of an interest rate (inferable from the contractual terms) that is not significantly different from the market interest rate.

Financial derivative instruments assets

In accordance with the provisions of Accounting Standard OIC 32, it includes the positive fair value measurement of derivative contracts hedging interest rate risk, outstanding at year end.

Derivative financial instruments are activated by the company to hedge underlying interest rate risks. The instruments qualify as simple hedges and are therefore valued using the simplified method.

A derivative financial instrument hedging the cash flow or fair value of an asset follows the classification of the hedged asset in current or fixed assets; a derivative financial instrument hedging the cash flow or fair value of a liability, firm commitment or highly probable forecast transaction is classified in current assets, as is a non-hedging derivative financial instrument. In the event of a negative fair value, these instruments are recognised as liabilities under provisions and risks.

Changes in the fair value of derivative financial instruments are shown in the Income Statement in section D) "Value adjustments to financial assets and liabilities", while changes in the fair value of the effective component of cash flow hedging derivatives are recognised in Shareholders' Equity, under the item Reserve for expected cash flow hedging transactions.

Finance leasing operations

As Italian legislation requires, assets acquired under financial leasing contracts are entered in the books in accordance with the equity method, with the leasing charges included in the operating costs. Please refer to the specific paragraph for details.

Inventories

Contract work in progress is measured by applying the percentage of completion method if all the following requirements of Accounting Standard OIC 23 are met:

- there is a contract binding on the parties that clearly defines their obligations and, in particular, the contractor's right to consideration;
- there is a right to consideration for the entity performing the work, which accrues with reasonable certainty progressively as the work is performed;
- there are no situations of uncertainty relating to contractual conditions or external factors of such a magnitude as to make the ability of the contractors to meet their obligations doubtful;
- the result of the order can be reliably measured.

Contract work in progress is valued on the basis of contractual payments accrued with reasonable certainty.

Specifically, job orders are valued according to the percentage-of-completion criterion (cost-to-cost).

According to this criterion, the valuation of inventories for contract work in progress is carried out to the extent of the revenue accrued at the end of each financial year, determined with reference to the stage of progress of the work, which gives the certainty that the revenue accrued will be definitively recognised to the contractor as consideration for the value of the work performed.

The value of works or services performed during the financial year is represented in the value of production and calculated as the sum of revenues from sales and services (item A1), which reflect work definitively paid for during the financial year, and the change in contract work in progress (item A3). The change in work in progress is the change in inventories for work performed and not yet definitively settled at the beginning and end of the financial year, respectively.

Advances and payments on account are recognised as a liability under item D6 'Advances'. Revenue recognition is effected only when there is certainty that the accrued revenue will be definitively recognised as consideration for the value of the work performed.

In the case of final invoicing of works, advances and payments on account are reversed from liabilities as a balancing entry to revenue recognition under item A1 'Revenue from sales and services'.

The value of contract work in progress with an agreed contractual price in a currency other than the Euro is first determined in the contractual currency using the percentage of completion method and then converted into Euro at the invoice exchange rate. If the invoiced portion is less than the value of the works, the surplus is converted into Euro at the year-end exchange rate.

Formalised design variations are recognised as an increase in the contractual value and are included in contract work in progress only if, by the Financial Statements date, their recognition and determination is certain or reasonably certain, i.e. when there is formal acceptance or it is highly probable that there will be acceptance based on the latest information and historical experience.

Pre-operating costs (e.g. design costs and costs for contract-specific studies) incurred after the acquisition of the contract are recognised as contract costs. On the other hand, costs incurred prior to the acquisition of the contract are included in contract costs only if they are specifically attributable and the acquisition of the contract takes place, or becomes reasonably certain, in the same financial year in which the costs are incurred or between the year-end date and the date of preparation of the Financial Statements, and these costs are reliably measurable and recoverable through the order margin.

Costs to be incurred after the completion of the contract are included in the contract costs and in the cost estimate; after the completion of the contract, appropriate provisions for risks and charges are made for the amount of these costs not yet incurred.

If there is a probability that the estimated total costs of an individual contract exceed the estimated total revenues, the probable loss on completion of the contract is recognised as a decrease in contract work in progress in the period of the probable loss.

Receivables booked as current assets

Receivables recognised in the Financial Statements represent rights to collect, at an identified or identifiable maturity, fixed or determinable amounts of cash and cash equivalents from customers or other parties.

Receivables arising from the sale of goods and services are recognised in accordance with the requirements set out in the commentary paragraph on revenues.

Receivables are stated in the financial statements at amortised cost, taking account of the timing factor, and within their presumable realisable value, and are therefore reported in the statement of financial position net of the relevant write-down reserve deemed to be appropriate to cover losses from reasonably certain bad debts.

The Company assumes that the effects of applying amortised cost and discounting are immaterial when the maturity of the receivables is within 12 months, taking into account all contractual and material considerations existing at the time of recognition of the receivable, and the transaction costs and any difference between the initial value and the nominal value at maturity are of insignificant amount. In this case, discounting was omitted, interest was computed at nominal value, and transaction costs were recognised as deferrals and amortised on a straight-line basis over the life of the receivable as an adjustment to the nominal interest income.

Tax Receivables and Prepaid tax assets

The item "Tax Receivables" includes certain and definite amounts arising from receivables for which a right to realisation has arisen through reimbursement or offsetting.

The "Tax assets" item includes prepaid tax assets determined according to the temporary deductible differences or the carrying forward of tax losses, applying the estimated rate in force at the time when it is considered that these differences will reverse.

Financial assets not classified as fixed assets

Other securities

Current securities of a fungible nature were valued at the lower valued between initial recognition cost and realisable value based on market trends. The LIFO (last-in, first-out) method was adopted for the valuation of initial recognition cost, as an alternative to specific cost.

Cash and cash equivalents

Cash and cash equivalents are valued according to the following criteria:

- money, at nominal value;
- bank deposits and cashier's cheques, at estimated realisable value. In this case, the realisation value is the nominal value.

Accrued income and prepaid expenses

Accruals and deferrals have been calculated on an accrual basis, by distributing the revenues and/or costs common to more than one year.

In the recognition, as in the review of prepaid expenses over several years, the existence or permanence of the time condition was verified.

Shareholders' Equity

This item includes all transactions of an equity nature between the company and persons exercising their rights and duties as shareholders. Increases in share capital are recognised in the accounts only after the transaction has been entered in the Companies Register, as governed by Article 2444(2) of the Italian Civil Code. In this case, the corresponding amount is recognised in a separate Shareholders' Equity item (other than "Capital"), which accommodates the amounts of capital subscribed by shareholders, which will be subsequently reclassified when the conditions described above occur.

The items have been entered at book value, as indicated in accounting standard OIC 28.

Provisions for risks and charges

The provisions for risks and charges were established to cover the liabilities the existence of which is considered certain or probable, the amount or date of occurrence of which could not be established as of the end of the financial year.

The funds were established on the basis of the prudence and accrual principles, in accordance with the provisions of OIC accounting standard no. 31. The correlated allocations are entered in the Income Statement for the relative year under the criterion of classification of costs "by nature".

The provision for deferred taxes includes the recognition of the tax effect arising from the fair value recognition of interest rate risk hedging derivative contracts, outstanding at year end.

Employees' severance pay

TFR (Employees' Severance Pay) is calculated in compliance with Art. 2120 of the Italian Civil Code, taking into account all provisions of law and contract specifications and those of professional categories, and includes the annual shares matured and revaluations carried out on the basis of ISTAT (Italian National Institute of Statistics) statistical coefficients.

The amount of this reserve is stated net of advances paid and shares used for any termination of employment that may have taken place during the year, and represents the certain debt due to employees upon year end.

Payables

Payables arising from the acquisition of assets are recognised in the Statement of Financial Position when significant risks, charges and rewards of ownership are transferred in substance. The liabilities associated with services are reported when the services have been rendered. The financial liabilities arising from loan operations and payables arising for various reasons from the acquisition of goods and services are reported when the company has an obligation to the counterparty identified on the basis of legal and contractual standards. The payables are recognised in the financial statements at amortised cost, on an accrual basis.

The classification of debts among the various debt items is made on the basis of their nature (or origin) with respect to ordinary operations, regardless of the time period within which the liabilities are to be settled.

The company presumes the effects of applying amortised cost and discounting to be immaterial when the maturity of debts within 12 months, taking into account all material contractual considerations existing at the time of debt recognition, fees paid between the parties and transaction costs, and any difference between the initial value and the nominal value at maturity, are of insignificant amount. In that case, discounting is omitted. When the effects are deemed immaterial, the debt is initially recorded at a value equal to its nominal value, net of all transaction costs and all premiums, discounts and rebates directly arising from the transaction that generated the debt and separated according to time period.

Accrued expenses and deferred income

Accruals and deferrals have been calculated on an accruals basis, by means of dividing up costs and/or revenues common to several years.

In the entry as well as in the review of deferred income with a multi-year duration, the existence or permanence of the time condition was verified. Where this condition has changed, the appropriate changes have been made, which are highlighted below.

Recognition of costs and revenues

Revenues are recorded in the financial statements on an accrual basis, net of returns, allowances, discounts and premiums, as well as the taxes directly related to them.

With regard to the sale of assets, the related revenues are recorded when the substantial and non-formal change of the title of ownership has occurred, assuming as a benchmark, for the substantial change, the transfer of risks and benefits.

Revenues from the delivery of services are recognised when the service is delivered, i.e. when the service has been performed; in the particular case of continuous services, the related revenues are deemed realised and may be allocated to sales when it is certain that the accrued revenue will be definitively recognised as consideration for the value of the work performed.

Costs are stated according to the principles of conservatism and accrual basis accounting. The costs of raw materials, consumables and goods for resale include the ancillary purchase costs (transport, insurance, loading and unloading, etc.) if included by the supplier in the purchase price of the same, otherwise they are entered separately under costs for services according to their nature.

Not only costs of a certain amount are recognised as costs, but also those not yet documented for which the transfer of ownership has already taken place or the service has already been received.

Financial income and charges are recognised on an accrual accounting basis.

Dividends

Dividends are recognised when, as a result of the resolution passed by the shareholders' meeting of the subsidiary company to distribute the profit or any reserves, the right to collect them arises by the investor company. The dividend is recognised as financial income, regardless of the nature of the reserves being distributed. The investor company verifies that, following the distribution, the recoverable amount of the equity investment has not decreased to such an extent that an impairment loss must be recognised.

Income taxes

Income taxes for the year are accrued on an accrual basis, and are determined in accordance with the laws in force and on the basis of estimated taxable income; in the Statement of Financial Position payables are recognised under “Tax payables” and receivables are recognised under “Tax Receivables”.

The calculation of income taxes took into account the effects resulting from the transposition into Italian tax law of the so-called “principle of derivation” of the corporate income taxable basis from the statutory financial statements, introduced by Article 13-bis of Decree-Law 244/2016 which radically amended the content of Article 83 of the Consolidated Income Tax Act. With reference to the recognition of the tax effects arising from timing differences between the presentation of economic components in the Financial Statements and the time at which they are recognised for tax purposes, we specify the following. Deferred taxes have been calculated on the basis of taxable temporary differences by applying the tax rate that is deemed to be in force at the time when such temporary differences will generate an increase in the taxable base.

In accordance with the conservatism principle, prepaid tax assets have been calculated on deductible temporary differences by applying the tax rate that is deemed to be in effect at the time these differences will generate a decrease in taxable income, based on the principle of the reasonable certainty of the existence of future taxable income sufficient to absorb the above changes.

The amount of prepaid taxes is reviewed annually in order to verify the continued reasonable certainty of future taxable income such that the full amount of prepaid taxes will be recovered.

The amount of deferred and prepaid taxes is also subject to restatement in the event of a change in the tax rates originally considered.

It should be noted that the company acts as consolidating company for the corporate income tax (IRES) settlement, within the national tax consolidation, together with the subsidiary Milano Sviluppo S.r.l.

Other information

Transactions with a repurchase requirement

Pursuant to Article 2427 No. 6-ter of the Italian Civil Code, the company certifies that during the year it did not enter into any transactions subject to repurchase transactions.

Notes to the Financial Statements Assets

The changes to the individual entries are analysed in detail in compliance with current legislation.

Fixed assets

Intangible fixed assets

Changes to intangible fixed assets

After posting the year's amortisation of EUR 400,930 in the Income statement, mainly referring to the amortisation of leasehold improvements, intangible fixed assets amounted to EUR 4,558,596, with a decrease of EUR 345,317 compared to the previous year.

The table shows the changes that occurred during the year:

	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Goodwill	Other intangible fixed assets	Total intangible fixed assets
Value at year start					

	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Goodwill	Other intangible fixed assets	Total intangible fixed assets
Cost	292,631	-	2,728,000	5,587,948	8,608,579
Amortisation and depreciation (Provision for amortisation and depreciation)	254,198	-	2,728,000	722,468	3,704,666
Book Value	38,433	-	-	4,865,480	4,903,913
Changes in the year					
Increases through acquisitions	29,739	1,622	-	24,252	55,613
Amortisation/depreciation for the year	32,992	90	-	367,848	400,930
<i>Total changes</i>	<i>(3,253)</i>	<i>1,532</i>	<i>-</i>	<i>(343,596)</i>	<i>(345,317)</i>
Year-end value					
Cost	322,370	1,622	2,728,000	5,612,200	8,664,192
Amortisation and depreciation (Provision for amortisation and depreciation)	287,190	90	2,728,000	1,090,316	4,105,596
Book Value	35,180	1,532	-	4,521,884	4,558,596

The increases concerned the cost of registering a trademark, as well as investments to improve the computer software system, and some improvements to real estate owned by third parties and leased.

Tangible fixed assets

Changes in tangible fixed assets

Tangible fixed assets, gross of accumulated depreciation, amounted to EUR 3,202,167. Depreciation funds amounted to EUR 1,386,610.

After posting the year's depreciation in the Income Statement, which amounted to EUR 262,041, the net value of tangible assets amounted to EUR 1,815,557, an increase of EUR 1,141,029 compared to the previous year.

The following table shows the movements of the fixed assets in question.

	Land and buildings	Industrial and commercial equipment	Other tangible fixed assets	Total tangible fixed assets
Value at year start				
Cost	21,966	677,576	1,385,642	2,085,184
Amortisation and depreciation (Provision for amortisation and depreciation)	-	600,770	809,886	1,410,656

	Land and buildings	Industrial and commercial equipment	Other tangible fixed assets	Total tangible fixed assets
Book Value	21,966	76,806	575,756	674,528
Changes in the year				
Increases through acquisitions	1,234,506	9,873	166,819	1,411,198
Reductions for disposals and divestments (of book value)	-	7,890	238	8,128
Amortisation/depreciation for the year	15,492	56,289	190,260	262,041
<i>Total changes</i>	<i>1,219,014</i>	<i>(54,306)</i>	<i>(23,679)</i>	<i>1,141,029</i>
Year-end value				
Cost	1,256,472	679,559	1,526,729	3,462,760
Amortisation and depreciation (Provision for amortisation and depreciation)	15,492	657,059	974,652	1,647,203
Book Value	1,240,980	22,500	552,077	1,815,557

The largest increase concerned the purchase and fitting out of the offices in Rome, where the local unit operates. Other increases relate to planned investments, mainly in industrial and IT equipment.

Finance leasing operations

The tables which follow provide the information required by Italian law, in order to provide a non-book representation of the implications of the accounting difference compared to the financial method, under which the user company would include the asset held under the leasing contract in its fixed assets and calculate the relevant amortisation allocations on the asset concerned, while entering the principal of the leasing charges as a liability. In this case, the amount of the interest and repayments for the year concerned would be entered in the income statement.

	Amount
Total amount of financially leased assets at year end	383,385
Depreciation that should have been recognised during the year	79,780
Current value of the instalments not yet due at year end	193,234
Financial charges accruing to the year on the basis of the effective interest rate	5,378

Financial fixed assets

Financial fixed assets amounted to EUR 7,925,814, an increase of EUR 6,382,820 over the previous year.

Movements of equity investments, other securities and derivative financial instruments (assets)

The following table shows the changes in these fixed assets that occurred during the year:

	Equity investments in subsidiary companies	Equity investments in affiliated companies	Total equity investments	Financial derivative instruments assets
Value at year start				
Cost	454,493	520,001	974,494	-
Book Value	454,493	520,001	974,494	-
Changes in the year				
Increases through acquisitions	1,445,972	1	1,445,973	373,576
Write-downs during the year	293,855	-	293,855	-
Other changes	5,047,466	-	5,047,466	-
Total changes	6,199,583	1	6,199,584	373,576
Year-end value				
Cost	6,947,931	520,002	7,467,933	373,576
Write-downs	293,855	-	293,855	-
Book Value	6,654,076	520,002	7,174,078	373,576

The increase in the value of equity investments during the year concerns, among other things:

- the investment in the company Castore S.a.s. di Capital Solution S.r.l. in which your company holds a 79.92% stake, equal to EUR 1,425,972. The initial investment was affected by a capital repayment completed during the year and a capital reduction. The Financial Statements value is expressed net of these reimbursements;
- the subscription of capital increases in the subsidiary Fabrica X Srl for a total of EUR 1,583,750;
- the subscription of the capital increase of EUR 245,000, with a share premium of EUR 2,720,000, of the subsidiary San Siro Benessere S.r.l.;
- the establishment of the two new companies TB10 S.r.l. and TB11 S.r.l., with subscription of share capital of EUR 10,000 each;

The increase of EUR 498,716, distributed among the various subsidiaries, represents the amount of increase in the cost of the various equity investments against the various capital contribution payments and additional share capital account payments, or the waiver of repayment of part of the loans previously granted in favour of the subsidiaries;

The increase in affiliated companies relates to the equity investment in a non-capital company under US law, which is instrumental in the start-up of real estate operations.

Financial fixed assets also included the positive fair value of two interest rate hedging derivative contracts related to medium- and long-term bank loans

Variations and due dates of long-term receivables

The following table shows the changes in these fixed assets that occurred during the year:

	Value at year start	Changes in the year	Year-end value	Portion due within the year
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	Value at year start	Changes in the year	Year-end value	Portion due within the year
Receivables from subsidiaries	568,500	(190,340)	378,160	378,160
Total	568,500	(190,340)	378,160	378,160

Long-term receivables consist exclusively of non-interest-bearing and interest-bearing loans granted to subsidiaries for temporary liquidity requirements. The change from the previous year reflects the various reimbursements received during the year and the waiver of the reimbursement of part of these receivables to favour the capitalisation of certain subsidiaries. Details of the amounts are provided below:

Company	Amount	Type
Milano Sviluppo Srl	150,000	Non-interest Bearing Loan
Gallarate Sviluppo Srl	198,660	Non-interest Bearing Loan
TB04 Srl	14,500	Non-interest Bearing Loan
M.E.P. Works Srl	40,000	Non-interest Bearing Loan
- Provision for doubtful accounts	(40,000)	
Fabrica X Srl	15,000	Interest-bearing Loan
Total	378,160	

The adjustment to the estimated realisable value was made by setting aside a specific doubtful debts allowance in the amount of EUR 40,000, corresponding to the entire amount of the receivable from the subsidiary M.E.P. WORKS S.r.l.

Details of equity investments held as fixed assets in subsidiary companies

The following table provides more detailed information on equity investments in subsidiary companies, as well as the additional information required by Article 2427 of the Italian Civil Code.

Name	City, if in Italy, or foreign country	Tax code (for Italian businesses)	Share capital in euros	Profit (loss) from last year in Euro	Shareholders' equity in Euro	Stake held in euros	Stake % held	Book value or corresponding receivable
CASTORE SAS DI CAPITAL SOLUTION SRL	Milan	93521740725	100,000	7,959,221	429,816	79,920	79.920	1,425,972
FABRICA X SRL	Milan	10803660967	3,125,000	(5,181)	3,120,392	1,593,750	51.000	1,599,150
GALLARATE SVILUPPO SRL	Milan	10144410965	40,000	(3,708)	40,792	20,800	52.000	32,684
LOGI-TECH SRL	Milan	01922050032	20,000	(15,979)	9,006	12,000	60.000	22,198
M.E.P.	Milan	11390300967	20,000	(34,056)	(12,167)	12,000	60.000	-

Name	City, if in Italy, or foreign country	Tax code (for Italian businesses)	Share capital in euros	Profit (loss) from last year in Euro	Shareholders' equity in Euro	Stake held in euros	Stake % held	Book value or corresponding receivable
WORKS SRL								
MILANO SVILUPPO SRL	Milan	05634280969	90,000	(767,786)	3,057,126	72,000	80.000	301,000
SAN SIRO BENESSERE SRL	Milan	10705410966	255,000	(11,598)	2,966,402	255,000	100.000	2,966,402
TB01 SRL	Milan	10144390969	10,000	(5,555)	10,445	10,000	100.000	10,445
TB04 SRL	Milan	10396080961	10,000	(2,522)	10,586	10,000	100.000	10,856
TB06 SRL	Milan	10705760964	10,000	(1,540)	10,460	10,000	100.000	10,460
TB07 SRL	Milan	10803250967	10,000	(1,597)	10,403	10,000	100.000	10,403
TB09 SRL	Milan	10803940963	10,000	(1,597)	10,402	5,500	55.000	5,721
TB10 SRL	Milan	12067100961	10,000	(3,574)	10,425	10,000	100.000	10,425
TB11 SRL	Milan	12067230966	10,000	(3,574)	10,425	10,000	100.000	10,425
TECHBAU GREEN ENERGY SRL	Milan	10144400966	10,000	(7,177)	10,868	10,000	100.000	237,934
Total								6,654,075

For all companies, an assessment was made as to whether there was a congruity between the value recorded in the Financial Statements for the equity investment held and the Shareholders' equity of the subsidiary company. Where there were negative results, it was assessed whether the loss was to be considered structural and what the operating profitability of the company was.

For the following equity investments recorded in the Financial Statements, the valuation was made by applying the cost method, where cost means the charge incurred for the purchase, regardless of the method of payment, including any incidental expenses. These are: MTM HOTELS S.r.l., MILANO SVILUPPO S.r.l., CASTORE S.a.s. DI CAPITAL SOLUTION S.r.l., TECHBAU GREEN ENERGY S.r.l., GALLARATE SVILUPPO S.r.l., LOGI-TECH S.r.l., FABRICA X S.r.l.

In particular, for the valuation of the equity investments held in the companies MTM HOTELS S.r.l., MILANO SVILUPPO S.r.l. and CASTORE S.a.s. DI CAPITAL SOLUTION S.r.l., the cost recorded in the Financial Statements at year end is less than the portion of Shareholders' equity held in these companies.

As for the valuation of the equity investments held in TECHBAU GREEN ENERGY S.r.l., LOGI-TCH S.r.l., GALLARATE SVILUPPO S.r.l. and FABRICA X S.r.l., these companies have significant strategic development plans that justify the difference between the book value determined at cost and the Shareholders' Equity of the subsidiary.

The equity investments held in the following companies, on the other hand, were valued using the equity method. These are: TB01 S.r.l., TB04 S.r.l., TB06 S.r.l., TB07 S.r.l., TB09 S.r.l., TB10 S.r.l., TB11 S.r.l., SAN SIRO BENESSERE S.r.l., M.E.P. WORKS S.r.l.

The write-downs recognised during the year, which totalled EUR 293,855, show the effect of adjusting the value of the equity investments of certain subsidiaries to their respective share of Shareholders' equity.

With regard to the activities carried out by the various subsidiaries, please refer to the relevant section of the Management Report.

Details of equity investments held as fixed assets in affiliated companies

The following table shows equity investments in affiliated companies, as well as the additional information required by Article 2427 of the Italian Civil Code.

Name	City, if in Italy, or foreign country	Tax code (for Italian businesses)	Share capital in euros	Profit (loss) from last year in Euro	Shareholders' equity in Euro	Stake held in euros	Stake % held	Book value or corresponding receivable
MTM HOTELS SRL	Torri del Benaco (VR)	04239940234	60,000	238,463	1,896,880	20,000	33.330	520,000
SP TECHBAU PEC 3 LLC	USA		-	-	-	1	20.000	1
SP TECHBAU LLC	USA		-	-	-	1	20.000	1
Total								520,002

With regard to the activities carried out by the various subsidiaries, please refer to the relevant section of the Management Report.

Breakdown of long-term receivables by geographic area

The following table shows the breakdown by geographic area of receivables recognised as financial fixed assets.

Geographical area	Long-term receivables from subsidiaries	Total long-term receivables
ITALY	378,160	378,160
Total	378,160	378,160

Value of financial fixed assets

Financial fixed assets in the Financial Statements have not been recorded at a value higher than their fair value, except for certain equity investments, for which specific reasons have already been provided in the previous paragraphs.

Current assets

Inventories

The following table shows the information on changes to inventories.

	Value at year start	Changes in the year	Year-end value
contract work in progress	377,412,685	(219,120,589)	158,292,096

	Value at year start	Changes in the year	Year-end value
advances	2,252,074	2,575,336	4,827,410
<i>Total</i>	<i>379,664,759</i>	<i>(216,545,253)</i>	<i>163,119,506</i>

Contract work in progress is valued in accordance with current accounting principles, recognising contractual revenues according to the concept of percentage of completion and relating them to the costs incurred during the year (i.e. the percentage of completion is determined as a percentage and in proportion to the ratio of costs actually incurred to estimated project costs). Revenues for contracts in progress are recognised when it is certain that the accrued revenue will be definitively recognised as consideration for the value of the work performed. This certainty normally occurs when the state of progress reports (SAL) prepared in consultation with the client are accepted by the latter. Contractually determined invoices generally constitute financial advances and are therefore accounted for under liabilities as advances from customers; however, when they correspond to the value of the work performed, they are recognised as revenue within the limits of that value if it is certain that the revenue accrued will be definitively recognised to the contractor. The progress of orders is therefore recognised as a change in contract work in progress, while invoices issued to customers in accordance with contractual agreements are regarded as payments on account. In the year in which the accrued revenue is definitively recognised to the Company by the counterparty, i.e. in the year of completion of all contract activities, advances received, net of progress already accounted for, are recognised in the value of production under revenues from sales and services. Projected contract cost estimates are continually reviewed and any operating margin losses are recognised immediately in the year in which they become certain or probable and determinable.

In order to provide greater clarity to the Financial Statements items, we would like to inform you that the item inventories includes the amount of EUR 92,920,881 related to SAL, which we prudentially preferred to consider as contracted work in progress and not as definitively earned revenues, since the uncertainty connected to the delivery of the work site is still pending. We anticipate that for consistency of presentation and accounting necessity, the balancing entry for this asset in the Financial Statements is recorded under payables to customers for advances received. Net of this item, inventories for work in progress amount to EUR 65,371,215.

The inventory write-down provision changed as follows during the year:

Work in progress write-down provision	Amount in euro
Opening balance as at 30.06.2021	11,135
Allocations	276,987
Utilisation	11,135
Closing amount as at 30.06.2022	276,987

It should be noted that the work in progress write-down provision, equal to EUR 276,987 as of 30 June 2022, refers to the write-down of the progress of works not yet invoiced relevant to certain job orders valued at percentage of completion, for which objective events occurred in previous years and whose effects have not yet been fully resolved in the current year, have raised doubts as to the customers' ability to meet the contractual commitments undertaken with the Company.

During the year, a further provision was set aside, as a direct deduction from the value of inventories, to cover expected losses in the completion of certain job orders, for which expected future charges were determined at year end (EUR 276,987).

The item "Advances" includes amounts paid as advances to suppliers for the purchase of goods and for contracts for the supply of goods and services, which will be delivered and executed after the end of the financial year.

Receivables booked as current assets

Receivables recorded under current assets amount to a total of EUR 57,351,816, of which EUR 3,885,310 are due beyond the next year.

Changes and due date of the receivables booked as current assets

The following table provides information on changes in receivables recognised as current assets, as well as information on their maturity.

	Value at year start	Change in the year	Year-end value	Portion due within the year	Portion due beyond the year
Receivables from customers	45,952,410	(4,645,487)	41,306,923	41,306,923	-
Receivables from subsidiaries	235,460	4,071,430	4,306,890	4,306,890	-
Tax receivables	1,027,106	(900,131)	126,975	126,975	-
Prepaid taxes	717,466	264,000	981,466	-	-
Receivables from others	11,626,467	(996,905)	10,629,562	6,744,252	3,885,310
Total	59,558,909	(2,207,093)	57,351,816	52,485,040	3,885,310

“Receivables from customers” amounted to EUR 41,306,923 compared to EUR 45,952,410 in the previous year. These are shown net of credit notes to be issued and the related doubtful debts allowance, which totalled EUR 3,499,480, an increase of EUR 1,246,289 over the previous year.

The item "Receivables from others" includes, inter alia, receivables related to:

- Miscellaneous guarantee deposits for EUR 287,847;
- Guarantee deposits in the amount of EUR 10,328,615, relating to transactions in progress and subject to conditions; the deposits are almost entirely backed by a surety guarantee covering the potential repayment obligation;
- Advances to employees in the amount of EUR 13,100, the reimbursement of which follows the agreed instalment plan.

The following table shows the changes in the doubtful debts allowance during the year:

Provision for write-down of receivables	Amount in euro
Opening balance as at 30.06.2021	2,253,191
Allocations	1,246,289
Utilisation	0
Closing amount as at 30.06.2022	3,499,480

The item "Receivables from subsidiaries" includes the receivable arising from the full invoicing of sundry works from the subsidiary Fabrica X S.r.l. relating to a building area subject to a real estate transaction in which the Company is involved. Please refer to the description of the item Deferred Income for further details.

“Tax receivables” amounted to EUR 126,975 at 30.06.2022 (EUR 1,027,106 at the end of the previous year). The decrease is mainly related to the complete write-down of a tax receivable considered non-recoverable amounting to EUR 266,919 and the decrease in the IRES receivable amounting to EUR 608,658.

The item “Receivables for prepaid taxes” as at 30.06.2022 relates to prepaid taxes, set aside against differences, of a temporary nature, between the results taxable according to tax regulations and the figures determined according to the Italian Civil Code. Details of prepaid tax assets are summarised in the table in the “Deferred and prepaid taxes” section of these Notes to the financial statements.

As in the previous year, prepaid taxes have been recognised on tax items arising from temporary differences, as these are an expression of timing misalignments in statement preparation criteria that, assuming the company is a going concern, will occur in future years. These differences mainly relate to write-downs related to certain contracts whose work in progress has been suspended and to write-downs of doubtful receivables. The visibility of the expected results for future years allows the Directors to consider these receivables recoverable in future years, against the generation of future taxable income.

Breakdown of receivables included in current assets by geographical area

The table below sets out the breakdown of the receivables included in the current assets by geographical area.

Geographical area	Trade receivables from customers booked as current assets	Receivables from subsidiary companies recognised as working capital	Tax receivables booked as current assets	Prepaid tax assets booked as current assets	Receivables due from others booked as current assets	Total receivables booked as current assets
ITALY	41,306,923	4,306,890	122,859	981,466	10,629,562	57,347,700
ABROAD	-	-	4,116	-	-	4,116
Total	41,306,923	4,306,890	126,975	981,466	10,629,562	57,351,816

Receivables from foreign entities relate exclusively to Tax Receivables for VAT refund requests made to European Community countries.

Financial assets not classified as fixed assets

Variations in financial assets not classified as fixed assets

The following table provides information on changes in financial assets not constituting fixed assets.

Item description	Value at year start	Changes in the year	Year-end value
other securities	7,072,263	2,210,847	9,283,110
<i>Total</i>	<i>7,072,263</i>	<i>2,210,847</i>	<i>9,283,110</i>

As prescribed by accounting standard OIC 20, financial assets not constituting fixed assets include temporary investments of liquidity in securities and financial products, which increased during the year by EUR 2,210,847 and totalled EUR 9,283,110, valued at the lower of cost and realisable value.

Cash and cash equivalents

The following table shows the information on changes in cash and cash equivalents.

	Value at year start	Changes in the year	Year-end value
bank and postal deposits	81,440,423	45,992,452	127,432,875
cash and equivalents on hand	1,993	3,607	5,600

	Value at year start	Changes in the year	Year-end value
<i>Total</i>	81,442,416	45,996,059	127,438,475

The amounts refer to cash holdings and current account balances. It should also be noted that the item "Bank and Postal Deposits" as at 30 June 2022 included approximately EUR 15,889 related to prepaid credit card balances.

For a more detailed analysis of the elements that generated or absorbed financial resources, please refer to the Cash flow statement.

Accrued income and prepaid expenses

The following table provides information on changes in accrued income and prepaid expenses.

	Value at year start	Change in the year	Year-end value
Prepayments	246,273	208,414	454,687
Total accrued income and prepayments	246,273	208,414	454,687

The following table shows the break-down of the items in question, as they are recorded in the financial statements.

Description	Detail	Current year amount
<i>ACCRUALS AND DEFERRALS</i>		
	Prepayments	382,796
	Multi-year prepaid expenses	71,891
	Total	454,687

Prepaid expenses amounted to EUR 454,687 and increased by EUR 208,414 compared to the previous year. Deferrals are recorded in order to allocate negative components accruing in the future to the following year. These components mainly consist of insurance charges, leasing and incidental expenses, rental fees and technical assistance.

Capitalised financial expenses

All the interest and the other financial expenses have been stated in full during the financial year. For the purposes of Article 2427, Section 1, No. 8 of the Italian Civil Code, it is therefore certified that there are no capitalised financial charges.

Notes to the financial statements, Liabilities and Net equity

The changes to the individual entries are analysed in detail in compliance with current legislation.

Shareholders' Equity

Shareholders' equity amounted to EUR 52,646,071, an increase of EUR 11,362,034 compared to the previous year.

Change to shareholders' equity items

With reference to the year under review, the following tables show the changes in the individual items of shareholders' equity, as well as details of the other reserves.

	Value at year start	Allocation of previous year's result - Allocation of dividends	Other changes - Increases	Other changes - Decreases	Other changes - Reclassifications	Year result	Year-end value
Share Capital	9,698,833	-	351,167	-	-	-	10,050,000
Share premium reserve	759,852	-	-	-	-	-	759,852
Legal reserve	1,234,579	705,188	-	-	-	-	1,939,767
Extraordinary reserve	6,376,639	22,672,551	(351,167)	8,500,000	1	-	20,198,024
Sundry other reserves	-	-	1	-	-	-	1
Total other reserves	6,376,639	22,672,551	(351,166)	8,500,000	1	-	20,198,025
Reserve for hedges of expected cash flows	(163,605)	-	283,918	(163,605)	-	-	283,918
Profit (loss) for the year	23,377,739	(23,377,739)	-	-	-	19,414,509	19,414,509
Total	41,284,037	-	283,919	8,336,395	1	19,414,509	52,646,071

Details of miscellaneous other reserves

Description	Amount
Rounding-off difference reserve in Euro	1
Total	1

During the year, a free share capital increase took place, which was finalised by using part of the resources set aside and available in the extraordinary reserve.

The increases in the Legal Reserve and the Extraordinary Reserve are due to the allocation of the previous year's profit. During the year, the extraordinary reserve decreased due to the distribution of dividends totalling EUR 8,500,000, as per shareholders' resolutions of 05.07.2021 and 05.11.2021.

It should be noted that there are no limitations, as per Article 2426, paragraph 1, point 5 of the Italian Civil Code, on the distribution of dividends.

All subscribed shares were fully paid up.

Availability and use of Shareholders' Equity

The following tables show the items making up the Shareholders' Equity, specifying origin, possibility of distribution, as well as any use during the previous three years.

Description	Amount	Origin/Nature	Possibility of utilisation	Available amount	Summary of uses made in three previous years - for other reasons
Share Capital	10,050,000	Share Capital		-	-
Share premium reserve	759,852	Share Capital	A;B;C	759,852	-
Legal reserve	1,939,767	Share Capital	B	1,939,767	-
Extraordinary reserve	20,198,024	Share Capital	A;B;C	20,198,024	19,500,000
Sundry other reserves	1	Share Capital		-	-
Total other reserves	20,198,025	Share Capital		20,198,024	-
Reserve for hedges of expected cash flows	283,918	Share Capital		-	-
Total	33,231,562			22,897,643	19,500,000
Non-distributable portion				1,939,767	
Residual distributable portion				20,957,876	
Legend: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory constraints; E: other					

Origin, possible use and distribution of the various other reserves

Description	Amount	Origin/Nature	Possibility of utilisation
Rounding-off difference reserve in Euro		1 Share Capital	
Total		1	
Legend: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory constraints; E: other			

Changes to the reserve fund through operations to cover expected cash flows

Transactions involving derivative instruments for the purpose of hedging interest rate risk are in progress, and the reserve recognised in Shareholders' equity reflects the related accounting.

Pursuant to Article 2427-bis, paragraph 1b-quater of the Italian Civil Code, the following table shows the movements of the fair value reserves during the year.

	Value at year start	Changes during the year - Increase due to change in fair value	Changes during the year - Decrease due to change in fair value	Changes during the year - Deferred tax effect	Year-end value
Reserve for hedges of expected cash flows	(163,605)	373,576	(163,605)	(89,658)	283,918

Provisions for risks and charges

This item includes accruals to the deferred tax provision and provisions for risks and charges, totalling EUR 1,189,658.

The increase in the “Provisions for risks and charges” during the year is due to the recognition of deferred taxation, amounting to EUR 89,658 of the Mark to Market (MTM) value for outstanding derivative contracts.

In addition, a further sum of EUR 100,000 was set aside during the year to cover potential generic risks;

The following table provides information on the changes that occurred during the year:

	Value at year start	Changes in the year - Provisions	Changes in the year - Use	Changes during the year - Other changes	Changes in the year - Total	Year-end value
Financial derivative instruments liabilities)	163,605	-	-	(163,605)	(163,605)	-
Provision for taxes, including deferred	-	89,658	-	-	89,658	89,658
Other provisions	1,072,000	100,000	72,000	-	28,000	1,100,000
Total	1,235,605	189,658	72,000	(163,605)	(45,947)	1,189,658

Other provisions

The following table shows the breakdown of this item, as recorded in the Financial Statements, pursuant to Article 2427, paragraph 1 of the Italian Civil Code.

The provision for risks was established following an assessment of potential charges that could be incurred by the company, related to ongoing litigation, and increased by EUR 100,000 during the year.

Description	Detail	Current year amount
<i>others</i>		
	Other provisions for deferred liabilities and charges	1,100,000
	Total	1,100,000

Employees' severance pay

The following table shows information relating to changes in employees' severance pay

	Value at year start	Changes in the year - Provisions	Changes in the year - Use	Changes in the year - Total	Year-end value
EMPLOYEES' SEVERANCE PAY	30,566	479,018	481,029	(2,011)	28,555
Total	30,566	479,018	481,029	(2,011)	28,555

Utilisations include the amounts of the liability for severance pay transferred to the INPS treasury fund, to supplementary pension funds and to employees following advances and/or resignations.

Payables

Accounts payable under current assets amount to a total of EUR 313,644,299, of which EUR 56,581,279 is due after the following year.

Changes in and maturity of payables

The table below gives information on the changes to payables and any information on their due dates.

	Value at year start	Change in the year	Year-end value	Portion due within the year	Portion due beyond the year
Payables to banks	51,747,549	18,627,401	70,374,950	13,793,671	56,581,279
Advances	314,872,054	(217,281,165)	97,590,889	97,590,889	-
Payables to suppliers	108,372,331	9,336,897	117,709,228	117,709,228	-
Payables to subsidiaries	4,770,825	2,853,636	7,624,461	7,624,461	-
Tax payables	9,831,489	860,761	10,692,250	10,692,250	-
Payables to welfare and social security institutions	645,581	189,708	835,289	835,289	-
Other payables	2,316,018	6,501,214	8,817,232	8,817,232	-
Total	492,555,847	(178,911,548)	313,644,299	257,063,020	56,581,279

Payables to banks

The table below illustrates the breakdown of the "Payables to banks" heading.

Description	Current account payables	Medium-term loan payables	Long-term loan payables	Total
payables to banks	11,035	66,755,426	3,608,489	70,374,950

Medium-term borrowings consist of structural debt, functional to development operations. They reflect the economic and financial plans of each operation and the exposure among medium-term loans gives evidence of contractual commitments, although these debts often have a useful life of no more than 18/24 months.

Loan payables relate to the loan granted by BPM for the renovation of the Castelletto Sopra Ticino premises. The debt is backed by a mortgage guarantee, provided by the landlord company, the lessor of the property.

It should be noted that two loan agreements provide for compliance with certain financial parameters (the so-called Covenants), which, as of 30 June 2022, had been met.

Advances

“Advances from customers” represent the Company's liability for advance payments received from customers for job orders in progress and not yet completed.

Reference should be made to what has already been set forth when commenting on closing inventories to reiterate that the item "Advances", amounting to EUR 97,590,889, includes payables to customers for work progress, which, for the reasons already illustrated, we deem more correct and truthful to show in the Financial Statements in the item under comment, also in order to avoid representing final revenues, even though such revenues are still suspended, at least until the delivery of the work site.

Payables to suppliers

“Payables to suppliers”, recorded in the Financial Statements at their nominal value, represent the Company's indebtedness for purchases of materials, goods and products and services received. The value increased by EUR 9,336,897 compared to the previous year mainly due to a revision of the payment terms agreed with some suppliers compared to the previous year.

Payables to subsidiaries

“Payables to subsidiaries” mainly derive from tax consolidation payables to the subsidiary Milano Sviluppo in the amount of EUR 3,434,461, a financial payable to San Siro benessere in the amount of EUR 2,840,000, with which a specific agreement for treasury management has been defined, to which the increase in the item is mainly linked.

Tax payables

The amount of “Tax Payables” shown in the Financial Statements mainly refers to VAT payable in the amount of EUR 9,093,620 and IRES payable in the amount of EUR 1,264,953.

Other payables

Guarantee debts/deposits concern debts for real estate transactions in progress.

The table below illustrates the breakdown of the "Other payables" item.

Description	Detail	Current year amount
<i>Other payables</i>		
	Guarantee deposits received	7,096,951
	Payables to Directors	1,967
	Payables to credit card issuers	12,887
	Sundry third party payables	110,040
	Personnel salaries	652,083
	Employee expense accounts	55
	Employee deferred salaries	941,364

Description	Detail	Current year amount
	Employees various institutions advances account	1,885
Total		8,817,232

Description	Initial sum	Increase	Final sum
other payables	2,316,018	6,501,214	8,817,232

The Other Payables item consists mainly of payables for guarantee deposits received for the start-up of real estate projects, which increased by EUR 6,165,931 compared to the previous year, and payables to employees for salaries, including deferred salaries.

Breakdown of payables by geographical area

The table below sets out the breakdown of the payables by geographical area.

Geographical area	Payables to banks	Advances	Payables to suppliers	Payables to subsidiaries	Tax payables	Payables to Pension and Social Security Institutions	Other payables	Payables
ITALY	70,374,950	97,590,889	114,374,100	7,624,461	10,692,250	835,289	8,817,232	310,309,171
ABROAD	-	-	3,335,128	-	-	-	-	3,335,128
Total	70,374,950	97,590,889	117,709,228	7,624,461	10,692,250	835,289	8,817,232	313,644,299

Payables secured by collateral securities on corporate assets

The table below, broken down separately for each item, indicates the payables backed by collateral securities over corporate assets, with the specific indication of the nature of the securities.

	Payables backed by mortgages	Total payables backed by collateral securities	Payables not backed by collateral securities	Total
Payables to banks	12,800,000	12,800,000	57,574,950	70,374,950
Advances	-	-	97,590,889	97,590,889
Payables to suppliers	-	-	117,709,228	117,709,228
Payables to subsidiaries	-	-	7,624,461	7,624,461
Tax payables	-	-	10,692,250	10,692,250
Payables to welfare and social security institutions	-	-	835,289	835,289
Other payables	-	-	8,817,232	8,817,232
Total payables	12,800,000	12,800,000	300,844,299	313,644,299

Payables secured by collateral on own assets relate to two ongoing development operations, in respect of which the decision was made to grant mortgage guarantees, for reasons of financial expediency (better financing rate conditions) and compatibility with the type of operation.

Shareholding financing

The Company has not received any loans from shareholders.

Accrued expenses and deferred income

The following table provides information on changes in accrued expenses and deferred income.

	Change in the year	Year-end value
Accrued expenses	104,757	104,757
deferred income	4,334,221	4,334,221
Total accrued expenses and deferred income	4,438,978	4,438,978

The following table shows the breakdown of these items as they appear in the Financial Statements.

Description	Detail	Current year amount
<i>ACCRUALS AND DEFERRALS</i>		
	Accrued expenses	104,757
	deferred income	4,334,221
	Total	4,438,978

Accrued expenses of EUR 104,757 refer exclusively to interest expenses.

Among deferred income, on the other hand, a special note is necessary in relation to the deferral of EUR 4,306,891, consisting of the adjustment of a revenue, deriving from the full invoicing of various works for a municipality in the Milan hinterland, against which the municipality transferred to the subsidiary Fabbrica X a building area subject to a real estate transaction in which your company is directly or indirectly involved. The deferral was determined on the basis of the portion of revenues relating to work still to be performed at year end.

It should be noted that there are no deferrals with a duration of more than five years.

Notes to the financial statements, Income statement

The income statement reports the trading result for the financial year.

It records the company's business transactions by summarising the positive and negative income items which generated the operating result. The positive and negative income items, entered in the Financial Statements in accordance with the provisions of Art. 2425-b of the Italian Civil Code, are subdivided into the core business, secondary and financial categories.

The core business category includes the income items generated by transactions which take place continually, in the sector of most importance for the company's performance, which identify and assess the part of the company's operations specific to its own business, covered by its corporate purpose.

Financial activities consist of transactions that generate income and expenses of a financial nature.

The remainder, or secondary, category consists of transactions which generate income items which are part of the company's routine operations but do not fit into the core business or financial categories.

For further details on the development of the operating result for the year as a whole, please refer to the Management Report.

Value of production

Breakdown of revenues from sales and services by geographical area

The following table shows the breakdown of revenues from sales and services according to the geographical area. Revenues earned abroad refer to real estate transactions in the European area. In the previous year, revenues were mainly from the Italy area.

Geographical area	Current year value
Italy	504,808,214
Abroad	6,468,050
Total	511,276,264

Costs of production

Costs and charges are imputed on an accrual basis, net of returns, allowances, discounts and premiums, in accordance with the principle of correlation with earnings, and are entered in their respective headings in accordance with OIC Accounting Standard 12. The costs relating to the purchase of assets are entered when title to the asset is transferred in fact even if not formally, assuming the transfer of risks and benefit as the parameter of reference. In the case of the purchase of services, the relative costs are recorded when the service has been received, that is, when the service is completed, while, in the presence of continuous services, the relative costs are recorded for the amount accrued.

Financial income and charges

Financial income and charges are reported on an accruals basis in relation to the portion accrued during the year.

Composition of proceeds from equity investments

Dividends are posted in the year in which distribution is resolved. During the year, the company received dividends from subsidiaries in the amount of EUR 6,745,012.

There are no earnings from equity investments as specified by Art. 2425 (15) of the Italian Civil Code, except for dividends.

Breakdown of interest and other financial expenses by type of payable

The following table shows the interests and other financial charges pursuant to Art. 2425, no. 17 of the Italian Civil Code, with a specific separation between those relating to debenture loans, payables to banks and other cases.

	Payables to banks	Others	Total
Interests and other financial charges	901,457	1,697,537	2,598,994

Other financial charges consisted almost entirely, for EUR 1,695,070, of the share of profits due to associates in silent partnership agreements concluded during the year. This amount was paid to those entitled to it.

Foreign currency conversion gains and losses

Although marginal and negligible in amount, information on foreign currency conversion gains and losses is reported below, distinguishing the portion realised from the portion arising from the valuation of foreign currency assets and liabilities recognised in the Financial Statements at year end.

Description	Amount in the financial statements	Valued part	Realised part
<i>exchange rate gains and losses</i>	7-		
Foreign currency conversion gains		-	165
Foreign currency conversion losses		-	172
Item total		-	7-

Value adjustments of financial assets and liabilities

During the year, write-downs were made both to the value of financial fixed assets and to securities in current assets that do not constitute equity investments.

In particular: equity investments in subsidiaries were written down by EUR 293,855; long-term receivables were written down by EUR 40,000; the value of marketable securities recorded under current assets was aligned with the quotations at year end, thus making a total write-down of EUR 570,469, which was affected by the particularly volatile situation of the financial markets.

Amount and nature of individual income/cost items of exceptional size or incidence

During the year, there were no revenue or cost items of exceptional magnitude or incidence.

The following table shows the amount and nature of individual particularly large or unusual cost items.

Income taxes of the year: current, deferred and advance

The Company has allocated tax liability for period on the basis of the application of current tax laws. Current taxes refer to the taxes relating to the financial year as stated in the relevant tax returns; taxes relating to previous financial years include direct taxation for previous years, including interest and fines, and also refer to the positive (or negative) difference between the amount due further to settlement of a tax dispute or demand and the value of the

provision made for this during previous years. Finally, the deferred and prepaid taxes refer to income or cost items taxed or deductible in financial years other than that in which they appear in the company's standard accounts.

As previously mentioned, it should be noted that the Company participates as the consolidating company, together with the subsidiary Milano Sviluppo S.r.l., in the payment of the corporate income tax (IRES) under the National Tax Consolidation.

Taxes from previous financial years

Taxes related to previous years refer to the alignment of the estimated corporate income tax (IRES) recognised in the previous Financial Statements with the values emerging from the respective tax returns.

Deferred and prepaid taxes

This item includes the impact of deferred taxation on these Financial Statements. This is attributable to temporary differences between the values attributed to an asset or liability according to statutory criteria and the corresponding values recognised for tax purposes.

The company determined deferred taxation with reference to IRES and IRAP.

Prepaid and deferred taxes were calculated using the following rates, respectively:

Tax	Rates
CORPORATE INCOME TAX (IRES)	24%
IRAP	3.9%

In the following schedules, the following is analytically indicated:

- a description of the temporary differences that led to the recognition of deferred and prepaid taxes, specifying the rate applied and the changes from the previous year, and the amounts credited or debited to the Income Statement or Shareholders' Equity;
- the amount of prepaid taxes recognised in the Financial Statements pertaining to losses for the year or previous years and the reasons for recognition, the amount not yet recognised and the reasons for non-recognition;
- the items excluded from the calculation and the reasons for this.

Calculation of deferred and prepaid taxes and consequent effects

	Corporate income tax (IRES)	IRAP
A) Temporary differences		
Total taxable timing differences	4,089,442	-
Net temporary differences	4,089,442	-
B) Tax effects		
Provision for deferred (prepaid) taxes at year start	(717,466)	-
Deferred (prepaid) taxes for the year	(264,000)	-

	Corporate income tax (IRES)	IRAP
Provision for deferred (prepaid) taxes at year end	(981,466)	-

Detail of deductible temporary differences

Description	Amount at the end of the previous year	Change during the year	Amount at year end	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Taxed provision for doubtful debts	1,989,442	1,000,000	2,989,442	24.00	717,466	3.90	-
Provision for litigation risks	1,000,000	100,000	1,100,000	24.00	264,000	3.90	-

Notes to the financial statements, cash flow statement

The company' has drawn up its cash flow statement, the document containing the key figures which link the variations in the company's assets during the year with the changes in its financial situation; it highlights the values relating to the financial resources the company has required during the year, and the relevant investments.

In accordance with the OIC 10 accounting standard, the indirect method was used, reconstructing the cash flow on the basis of the result for the year of the non-monetary items.

Notes to the financial statements, Other information

The other information required by the Italian Civil Code is provided below.

Workforce figures

The table below shows the average number of employees, broken down by category and calculated considering the daily average.

	Managers	Executives	White-collar workers	Blue-collar workers	Total employees
Average number	6	16	94	5	121

The change in the number of employees shown compared to the previous year reflects the development and growth policies previously planned (based on the growth targets set).

Fees, advances and receivables to directors and auditors and commitments made on their behalf

The following table sets out the disclosures required by Article 2427, No. 16 of the Italian Civil Code, specifying that there are no advances or receivables and no commitments have been undertaken on behalf of the Administrative Body as a result of guarantees of any kind given.

	Directors	Statutory Auditors
Fees	517,687	28,376

Remuneration of external auditor or auditing firm

The table below specifies the remuneration payable to the auditing firm, subdivided by the type of services rendered.

	Statutory audit of annual accounts	Total fees payable to the external auditor or auditing firm
Value	129,570	129,570

On 23/03/2022 the company appointed the audit firm EY S.p.a. to audit these Financial Statements and the two following ones (and therefore until the approval of the Financial Statements as at 30/06/2024).

Categories of shares issued by the Company

The following table shows the number and nominal value of the company's shares, as well as any movements during the year.

	Opening balance, number	Initial balance, nominal value	Shares subscribed during the year, number	Shares subscribed during the year, nominal value	Closing balance, number	Final balance, nominal value
Ordinary shares	9,698,833	9,698,833	351,167	351,167	10,050,000	10,050,000

During the year, a share capital increase was finalised by allocating part of the extraordinary reserve to capital, thus bringing the total amount of share capital to EUR 10,050,000, divided into 5,025,000 category A shares and 5,025,000 category B shares, bearing the rights provided for in the articles of association.

Securities issued by the company

The Company has not issued any securities or similar values considered in the forecast as per Art. 2427 no. 18 of the Italian Civil Code.

Details of the other financial instruments issued by the Company

The company has not issued any other financial instruments pursuant to article 2346 para. 6 of the Italian Civil Code.

Commitments, guarantees and contingent liabilities not resulting from the statement of financial position

The following table shows the disclosures required by Article 2427 No. 9 of the Italian Civil Code:

	Amount
Contingent liabilities	80,674,951

The amount of EUR 4,670,608 relates to insurance guarantees given by the company, mainly to municipalities for the completion of urbanisation works and/or for other obligations taken on by the guaranteed party and to be performed in the future.

The amount of EUR 68,080,050 relates to bank guarantees provided by the Company to third parties by correspondent banks, for obligations mainly related to deposits, collected advances, and to guarantee the exact performance of services under the contracts.

The amount of EUR 7,024,293 relates to insurance guarantees given to third parties, in the interest of the company, as co-obligor, also mainly to municipalities as specified above.

The amount of EUR 900,000 relates to a guarantee issued by the Company, as co-obligor, in favour of the subsidiary TB04 S.r.l. in connection with projects initiated by said company.

Information about assets and loans earmarked for one specific transaction

Assets earmarked for one specific transaction

It is certified that at the accounts closing date the company did not hold any assets earmarked for one specific transaction defined by art. 2427 (20) of the Italian Civil Code.

Loans intended for specific transactions

It is certified that at the accounts closing date there were no loans allocated to a specific deal, as per point 21 of art. 2427 of the Italian Civil Code.

Information about transactions with related parties

All transactions with related parties were carried out at arm's length with the exception of non-interest-bearing loans granted to subsidiaries, which were granted in order to avoid the use of more costly forms of funding.

Information on agreements not shown in the statement of financial position

Pursuant to Article 2427, number 22-ter, it should be noted that the Company currently has the following finance lease agreements in place:

- contract no. A1B84255, signed on 25/02/2020 with "Bnp Paribas Lease Group SA", expiring on 24/01/2025, concerning a Manitou MRT 2550 rotating telescopic lift. The outstanding instalments as at 30/06/2022 amounted to EUR 86,153;
- contract no. A1B99258, signed on 27/05/2020 with "Bnp Paribas Lease Group SA", expiring on 26/04/2025, concerning a Manitou MRT 2150 rotating telescopic lift. The outstanding instalments as at 30/06/2022 amounted to EUR 90,863;

- contract no. 1164446/1, signed on 01/12/2020 with "Alba Leasing Spa", expiring on 30/11/2023, concerning an AUDI car. The outstanding instalments as at 30/06/2022 amounted to EUR 14,167.

During the year, there were no further off-Statement of Financial Position agreements.

Significant facts occurring after the year end

With reference to Art. 2427 (22-d) of the Italian Civil Code, no significant events occurring after the accounts closing date with major repercussions on the company's capital, financial or trading performance are reported.

In relation to the conflict between Russia and Ukraine, it should be noted that the company does not operate in either the Russian or Ukrainian markets, and is therefore not directly affected by the conflict other than, like everyone else, the effects of the increase in energy costs and those of raw materials and transport.

However, the core business activity continues in accordance with the medium-term economic-financial planning, which was initiated at the time, and, to the extent permitted by contract and law, recovery is being made, at least partially, of the price increases that are gradually being incurred.

It should also be noted that transactions with subsidiaries and affiliates, which had been underway for some time, were definitively executed immediately after the year-end, with significantly positive results for your Company.

Information concerning financial derivative instruments as required by art. 2427-b of the Italian Civil Code

As already exhaustively explained in previous sections of the Notes to the Financial Statements, to which reference should be made, the company has two interest rate risk hedging transactions in place. Based on market evidence, the fair value (MTM) is positive and equal to EUR 373,576; it has therefore been recognised as an asset in the Statement of Financial Position, under financial fixed assets in Item B) III 4), in accordance with the relevant accounting standard (OIC 32).

Summary financial statements of the company that exercises management and coordination

Pursuant to Article 2497-bis, Section 4 of the Italian Civil Code, it is hereby certified that the company is not subject to management and coordination by others.

Information pursuant to Art. 1, paragraph 125, of law no. 124 of 4 August 2017

In relation to the provision of Art. 1, paragraph 125-bis, of Law 124/2017, regarding the obligation to give evidence in the Notes to the Financial Statements of any sums of money received during the financial year by way of grants, subsidies, benefits, contributions or aid, in cash or in kind, not of a general nature and without consideration, remuneration or compensation of any kind, from public administrations and the entities referred to in paragraph 125-bis of the same article, the Company reports that it has no benefits to report, with the exception of the tax credit accrued for the purchase of new assets and instrumental to the exercise of its business, totalling EUR 11,073.

Proposed allocation of profits or cover of losses

Dear Shareholders, in light of the foregoing, the Administrative Body proposes to allocate the profit for the year of EUR 19,414,509.25 as follows:

EUR 70,233.40 to the Legal Reserve, up to one-fifth of the Share Capital, and the remaining EUR 19,344,275.85 to the Extraordinary Reserve.

Notes to the financial statements, final part

Dear Shareholders, we confirm that these Financial Statements, consisting of the Statement of Financial Position, Income Statement, Cash Flow Statement and Notes to the Financial Statements, provide a true, correct indication of the company's assets and liabilities and financial situation, and the economic results for the financial period, and are consistent with the company's accounts. We would therefore ask you to approve the draft Financial Statements for the year ended 30/06/2022, together with the proposed allocation of the year's result, as prepared by the Administrative Body.

These Financial Statements are true and accurate and comply with the bookkeeping entries

Castelletto Sopra Ticino (NO), 12/10/2022

for THE BOARD OF DIRECTORS

THE CHAIRMAN

(Francesco Ostuni)

TECHBAU S.P.A.
Joint stock company
Head office in Milan - Piazza Giovine Italia 3
Share Capital EUR 10,050,000.00 fully paid up
Tax code, VAT number and Companies Registration number
of Milan Monza Brianza Lodi Chamber of Commerce 06336690968

MANAGEMENT REPORT FOR THE YEAR ENDED 30.06.2022

Dear Shareholders,

the Financial Statements as at 30.06.2022, which is submitted for your examination, shows a net profit of EUR 19.4 million (EUR 23.4 million in the previous year); provisions and depreciation charged for the year amount to EUR 1.9 (EUR 1.0 million in the previous year).

Before providing you with the information, required by the Law, on the financial year and the structure of your company, we consider it appropriate to briefly inform you about the changes that occurred during the financial year. The most important one concerned the sale by the sole shareholder of its 50% stake to a leading investment fund, which operates worldwide and has a strong vocation in the real estate sector. As a result, the governance of the company has also changed and more ambitious development strategies have been devised to match the strategic potential that is being evaluated and about which we will inform you in due course.

On the whole, the year under review was consistent with the medium-term planning, which was drawn up at the time, and confirmed your company's lines of development. The preponderant activity concerned the construction of large buildings for logistical purposes, but important initiatives were also launched for the construction of buildings for other purposes, tertiary or residential, precisely with a view to diversifying the business and developing other areas of construction.

As can also be seen from the Notes to the Financial Statements, all activities were basically carried out in Switzerland.

As far as price dynamics are concerned, it is useful to premise that sales prices depend on the specifics of the property and are therefore very difficult to compare. In any event, the pricing policy adopted took into account not only realisation costs and related construction margins but also financial risk assessments inherent in the business. In view of the foregoing, a creeping upward trend in sales prices is noted, mainly induced by the rise in production costs (this phenomenon was strongly accentuated in the last four months of the financial year), without any significant impact on project margins.

Turning to your company's operational management, we would first of all like to point out the sharp increase in sales revenue, which rose from EUR 273.2 million to EUR 511.2 million, which, however, must be read in conjunction with the decrease in inventories for work in progress, which fell from a positive value in FY 20/21 of EUR 58.4 million to a negative value in the year under review of EUR 218.8 million. It should be specified immediately that this variability is to be considered structural for the economic sector of activity. It depends, for instance, on the definitive transfer to the buyer in the current financial year. This implies a formal increase in sales and a decrease in the value of inventories for real estate in progress.

Compared to the previous year, the total value of production decreased by about 10%. In this regard, we consider it useful to point out that this reduction is not an indicator of a loss of turnover but is, almost entirely, to be correlated to the peculiarities of the sector in which your company operates.

Other revenues and income increased from EUR 2.1 million to EUR 8.1 million; they consist mainly of the realisation of real estate rights acquired as part of transactions developed during the year (EUR 4.4 million). This item also includes rents and income from fees paid for the operation and maintenance of industrial buildings.

The dynamics of production costs reflect the trend in revenues. The purchase costs of materials used in the production cycle decreased as a result of the decrease in the value of production mentioned above. The same applies to the provision of services: in this item, third-party work and technical professional services are by far the most prevalent items: the former decreased significantly, from EUR 155.6 million to EUR 135.1 million, while the latter increased from EUR 11.0 million to EUR 16.2 million. This increase is directly related to the current development phase, which, as can be guessed, is normally preceded by an increase in design costs.

With regard to unit purchase prices, the financial year saw a largely constant trend throughout the first half of the year (i.e. the second half of 2021), while the second half of the financial year (i.e. the first half of 2022) saw tensions in the prices of certain materials, mainly induced by the energy crisis following the Russia-Ukraine war. These increases, related to ongoing orders, were partly absorbed by our suppliers, partly recovered through efficiency gains, partly passed on to customers, and partly kept in the Income Statement.

The overall average cost increase as a result of higher unit prices during the year can be estimated at 12-15%; it affected the company's margins by about 2-3%.

Leasing and renting expenses increased from EUR 3.5 million to EUR 4.2 million. The change in this cost item is related to the relocation of the various construction sites and the rental of equipment, mainly special construction machines. The latter increased from EUR 2.6 million to EUR 2.9 million.

Staff expenses increased by about 23% compared to the previous year. This increase was due to both an increase in the company's workforce and salary increases. It is worth emphasising the continuous attention paid to the training and professionalism of your company's workers, and a great deal of attention is also paid to occupational safety and environmental hygiene. We feel it is our duty to inform you that the serious incident mentioned in the report commenting on the Financial Statements for the year ended 30.06.2021 did not have any negative consequences for Techbau S.p.A.

Depreciation and amortisation charged for the year increased slightly, but remained insignificant in absolute terms.

With regard to allocations for risks and charges, we made prudent write-downs of trade receivables in connection with the ongoing litigation with a German customer, in addition to those already provided for in previous years, as well as additional provisions for potential risks. Overall, depreciation, amortisation and write-downs increased from EUR 0.9 million (2020/2021) to EUR 1.9 million (2021/2022).

Other operating charges remain essentially unchanged, the most significant item being the single municipal tax on real estate, various indirect taxes, and miscellaneous contingent liabilities.

Financial management first of all recorded income from equity investments, which rose from EUR 5.6 million to EUR 6.7 million. The largest change concerns the profits distributed by the investee company "Castore S.a.s. di Capital Solution S.r.l.", related to the management of underlying real estate transactions. We also refer you to the commentary on the activities of the subsidiaries for a more detailed discussion of these operations.

Other financial income increased significantly, but much more modestly in absolute value.

Financial charges include the costs of a silent partnership, which recognise the share due to the associate (1.7 million).

In relation to the changes in total debt, which we will discuss in a moment, we point out the increase in interest expenses; however, it is useful to point out that part of this interest is to be considered real direct production costs as it is strictly functional to the construction activity of your Company and as such considered in the determination of the costs of that activity.

The overall reduction in "Financial income and charges" (down from 5.2 million to 4.3 million) is entirely attributable to the costs related to the silent partnership we mentioned earlier.

The value adjustments include some write-downs of equity investments, about which we refer you to the commentary on the activities carried out through subsidiaries, as well as the write-down of securities included in current assets (EUR 0.6 million).

Taxes for the year increased in relation to the increase in taxable income determined according to current tax legislation.

Investments

The investments made during the year were broken down as follows:

- **intangible fixed assets:** during the year, the company software system was improved and the "Techbau" trademark was registered.

Finally, some modest expenses on third-party assets were capitalised.

The reduction in the items under review was due to the direct depreciation of these items.

- **tangible fixed assets:** the most significant investment is the office building in Rome, in which the company's headquarters are located. It should be noted that it does not constitute a branch office within the meaning of the law.

Other investments were modest in size and related to equipment, office machines and furnishings.

As regards the dynamics of the fixed assets under review, we refer you to the Notes to the Financial Statements.

- **Financial fixed assets**

Investments for the year concerned the companies Techbau Green Energy S.r.l.; San Siro Benessere S.r.l.; Fabrica X S.r.l. and Castore S.a.s. di Capital Solution.

With regard to these investments, we refer you to what has been reported on the activities of the subsidiaries.

Completing the commentary on the year's investments, we would like to remind you that they were all supported by your company's self-financing capacity.

Financial Structure

The cash flow statement (which is an integral part of the Financial Statements for the financial year ending 30.06.2022) shows the dynamics of the cash flows; it is kept in balance and serves the company's development plans. Indeed, an examination of the Financial Statements shows the size of the immediate liquid assets, against medium-term debt, which is structured and consistent with the production programmes of the various yards. In this regard, it is useful to note that the work in progress remaining at year end is covered by job orders, with completion times correlated to the due dates of the debts contracted for the financing of these job orders. The financial efficiency of your company's set-up is confirmed by the amount of bank interest, which totalled 0.8 million, against a total value of production of 300.5 million.

Concluding the commentary on your Company's financial structure, we would like to point out the increase in financial assets not constituting fixed assets, which rose from EUR 7.1 million to EUR 9.3 million, as a result of

an increase in temporary cash surpluses invested in the financial markets.

As far as the debt structure is concerned, it has not changed compared to the past and, as already mentioned several times, bank debt is mainly related to the company's various active construction sites.

In addition, in order to give greater consistency to the overall financial structure and in view of the development plans launched, medium-term loans with the guarantee of the Central Medium Credit Facility, amounting to EUR29 million, were taken out during the year.

Lastly, we would like to point out that the amortisation of the mortgage loan granted to us by BPM continued, in accordance with the repayment plan, with a guarantee on the real estate of the investor AMH S.r.l., as also indicated in the Notes to the Financial Statements.

Accounts payable consists of payables to employees for deferred salaries and wages, to the tax authorities and to social security institutions, and to suppliers, all of which are settled on their respective due dates. Other payables include payables for down payments and/or deposits received in the amount of EUR 7.1 million.

ACTIVITIES CARRIED OUT BY SUBSIDIARIES

Below we provide information on the activities of the subsidiaries, limiting ourselves to those that carried out significant activities, i.e. those that were also indirectly involved in the company's business.

Subsidiary companies.

- Logi-tech S.r.l.: the subsidiary under review closed the financial year as at 30.06.2022 with a slightly negative result; however, it also distributed dividends in the year under review, which were lower than in the previous year, in connection with the decrease in the result achieved in the financial year ended 30.06.2021.

It is also in the process of evaluating real estate transactions of interest to its parent company Techbau S.p.A.

There were no transactions with the subsidiary Logi-tech S.r.l. during the year.

- Also during the financial year just ended, the subsidiary Milano Sviluppo S.r.l. continued its activities to try to enhance the value of the property owned in a strategic position with respect to the Milan Malpensa airport; the results, at the moment, have not yet been positive.

The subsidiary closed its Financial Statements with a significant loss due to the write-down of receivables that were definitively uncollectable. In this regard, it is worth noting that the Shareholders' equity of this company remains well above the value of the equity investment.

- Techbau Green Energy S.r.l.

The subsidiary under review stems from the transformation of the company TB02 S.r.l. resolved during the year; in addition to the change in the company name, the object was changed and development activities were started in the area of construction and management of plants for the production of electrical energy from energy sources alternative to hydrocarbons, mainly through the use of photovoltaic plants.

The financial year for the year ended 30.06.2022 saw a slightly negative result, affected precisely by the start-up phase of the activity mentioned above.

- San Siro Benessere S.r.l.: this company is developing a real estate operation in Milan consisting of the construction of a spa park, intended for sale. During the year, a share capital

increase was initiated, subscribed in cash by your company, with an appropriate share premium and subscribed by another shareholder through the contribution of the company, consisting, precisely, of the construction site underway for the construction of the aforementioned spa building. The transfer remained suspended in relation to the pre-emption on the property at that site due to the Superintendency of Cultural Assets (pre-emption for which the terms expired without it being exercised by the entitled party).

Transactions with this company concerned the underwriting of the share capital and the related share premium.

- Fabrica X S.r.l.

The subsidiary under review increased its share capital during the year; this increase was subscribed by your company for EUR 1,583,750 in order to firmly maintain its control, while the remaining part of the increase was subscribed and paid for by minority shareholders.

The company is currently building a university residence in the municipality of Novate Milanese, which will then be sold to leading investors and/or operators in the sector.

The company closed the financial year on 30.06.2022 with a modest loss of EUR 5,181.00.

The construction of the building is entrusted to the parent company Techbau, and during the year, work in the amount of EUR 611,453 (recognised under work in progress) was carried out under the contract.

In addition, to further the transaction summarised above, your Company participated in the Novate Milanese Municipality's call for tenders for the construction of urbanisation works for EUR 4.6 million, and was awarded the contract. This contract was paid for in full through the sale of the building area on which the student residence we mentioned earlier will be constructed. For this reason, at the time the deed was signed, an invoice was issued, as required by law, for the entire consideration for the contract; when the Financial Statements were drawn up, this revenue was deferred for the portion (EUR 4.3 million) relating to work still to be performed under this contract.

In accordance with the call for bids, the land in question was purchased by the subsidiary Fabrica X S.r.l., which is therefore indebted to your Company for, among other things, the entire contract price.

- TB09 S.r.l.

We would like to remind you that the subsidiary TB09 S.r.l. developed a financial transaction preparatory to certain real estate transactions of Techbau S.p.A.; that transaction was recently concluded and the entire remaining equity investment was sold to third parties.

The dealings with this company concerned the maintenance of a bank deposit of EUR 1,350,000.00 as security for the aforementioned financial transaction, the funding for which was, however, provided by TB09 itself. Basically, the escrow deposit of EUR 1,350,000 is offset by Techbau S.p.A.'s debt to the subsidiary TB09 S.r.l. The conclusion of the financial transaction resulted in the settlement of the two items.

- M.E.P. WORKS S.r.l.

This subsidiary was established in order to assess the advisability of specialising in a separate company, albeit a subsidiary, for the management of certain activities related to your company's core business; in fact, it operated mainly in the plant and system design and installation sector. The trial was not successful, and the liquidation of the company M.E.P. WORKS S.r.l. was started at the end of the year, which will be completed by 31.12.2022.

During the year, the subsidiary operated almost exclusively for Techbau S.p.A., providing

services (plant construction) totalling EUR 953,152; the liquidation activity is not expected to result in any losses for the parent company Techbau S.p.A.

- Castore S.a.s. di Capital Solution

The partnership, held with an 80% equity investment, was established to take over the indirect management of certain real estate transactions underlying the securitisation of the bank debts of the company Rubattino 87 S.r.l. as part of a debt restructuring procedure, regulated by Article 67, third paragraph, Finance Law.

The securitised bank loans were transferred with the intervention of the company Ilizia SPE S.r.l. (authorised pursuant to Law 130/99) and the subsidiary Castore S.a.s. purchased the instrument (Notes) issued by Ilizia SPE itself and representing receivables from Rubattino 87.

During the year, some of those transactions went through, and the subsidiary benefited from a positive economic result of EUR 7,959,221, which allowed for the distribution of profits amounting to EUR 7,634,900, of which your company's share was EUR 6,101,812, as is also shown in the Income Statement under review.

In addition, it reduced its capital, which had become surplus from EUR 2,665,000.00 to EUR 100,000.00, reimbursing, pro rata, the difference to your company.

The book value, which is significantly higher than the Shareholders' Equity as at 30.06.2022, has not been adjusted because there are almost certain forecasts of further significant realised gains and profit distributions exceeding the difference between the book value of the investment and the corresponding Shareholders' Equity.

Other subsidiaries

It should be noted that they were temporarily inactive during the year.

Transactions with subsidiaries, in addition to the above, involved a few modest payments to cover losses incurred as a result of the equally modest operating costs of these companies.

Affiliated companies.

- MTM Hotels S.r.l.

The hotel management company continued to feel the negative effects of the COVID-19 pandemic and yet it closed its financial year as at 31.12.2021 with a positive result (EUR 238,463.00).

SP Techbau Pec 3 LLC

Affiliated companies under US law are set up as LLCs, i.e. companies with no accounting obligations; they also have no capital, which is why they are entered in the Financial Statements at the symbolic value of EUR 1.

These companies are related to real estate transactions that are now close to completion and it is reasonable to expect a significant positive economic result in the current financial year.

German branch

The branch that was established in Germany for the purpose of conducting business in that country limited its activities to the management of ongoing litigation. We would like to point out that any losses arising from this litigation have been prudently recognised by means of appropriate provisions for impairment and/or risk provisions.

We therefore await the decisions to be taken by the Judicial Authority.

Transactions with related parties

As already indicated in the previous paragraphs, we reiterate that all transactions with related parties were of insignificant amounts and settled at market conditions, except for the non-interest-bearing loans granted to subsidiaries, which were disbursed in order to avoid resorting to more costly forms of funding.

Economic indicators.

In order to provide a concise picture of the company's performance, below are some indicators considered significant.

Indicator	Financial Year 2021/2022	Financial Year 2020/2021
Value of production	€ 300,522	€ 333.840
EBITDA	€ 26,237	€ 26,357
EBITDA / Value of production	8.73%	7.90%
Profit for the year	19,415	€ 23,378
Operating Profit/Value of Production	6.46%	7%
Liquidity ratio (quick ratio)	0.44	0.20
Current assets/Current liabilities	1.14	1.16

(Values per thousand)

Research and development

The research and development activities carried out by your company are specifically related to the various construction sites, which constitute its core business. In fact, it must be said that technical solutions and functional models are sought and elaborated for particular and generalised improvements of the entire activity.

All related costs are charged to the Income Statement.

Other risks referred to in Art. 2428 para. 6b) of the Italian Civil Code

Techbau is committed to promoting and maintaining an adequate internal control and risk management system, consisting of the set of tools, organisational structures and corporate procedures aimed at enabling the safeguarding of corporate assets, the efficiency and effectiveness of corporate processes, the reliability of financial reporting, compliance with laws and regulations, as well as with the articles of association and corporate procedures. In this regard, the following risks and their mitigation actions are identified:

- Price risk: price risk, in view of the type of business conducted by the company, is modest. In fact, the various real estate transactions are usually started with a contractual preliminary sales contract, which implies certainty about the prices of the orders.
- Financial risks: the volatility of market conditions and the possible deterioration of the financial position of customers may cause delays both in collections from customers for services rendered on the basis of contractual provisions, and in the recognition and consequent collection of possible variation orders and claims relating to contracts under execution. Such cash flow fluctuations may occur despite the fact that in practice contractor and client cooperate

in the search for an agreement and/or have been working together for some time. In addition, the Group is exposed to numerous risks of a financial nature: (i) fluctuations in interest rates (ii) credit risk arising from the possibility of default by a counterparty; (iii) liquidity risk arising from the lack of adequate financial resources to meet short-term commitments; (iv) risks related to the issuance of guarantees required by operating activities;

The management, control and reporting of financial risks is based on policies and actions with the aim of standardising and coordinating the Group's financial risk policies. In particular, financial risks are controlled through the periodic monitoring of a series of indicators subject to specific attention thresholds that are periodically updated. The Company has various techniques implemented right from the negotiation phase with customers in order to obtain more favourable conditions (e.g. contractual advances) and monitor its contracts (e.g., through stringent procedures for obtaining the necessary certificates to proceed with invoicing, or through constant monitoring and reporting to the customer of all contractual or executive variations of the project) with the aim of maintaining appropriate cash flows during the execution of the various project phases; in addition, the fluctuation of net working capital is constantly monitored by the Group and there is continuous involvement of top management in mitigating any situations that may impact the Company's net working capital.

Finally, the development of and compliance with tax regulations is constantly monitored.

Adoption of the organisational, management and control model pursuant to Legislative Decree 231/2001 and the Code of Ethics

During the year, the company adopted the organisational, management and control model referred to in the above-mentioned law, and established the relevant procedures. The Supervisory Body was also appointed.

Privacy

Pursuant to paragraph 26, attachment B, of Legislative Decree no. 196 of 30/06/2003, we hereby inform you that the company has updated its information security policy document in the light of the provisions of the Technical Specifications on minimum security measures referred to in the aforementioned Legislative Decree.

Business outlook

The current financial year began amidst the well-known generalised difficulties of the entire world economy, caused mainly by the increase in the price of gas and electricity, which immediately reverberated on much of the building materials and transport costs. In addition, legislative measures enacted to boost construction (one of which is the so-called "110%") have generated an abnormal demand for building materials, which in turn has raised the prices of materials and components. In the specific sectors in which your company operates, these phenomena have had and are having a significant impact, but not such as to interfere, at least so far, with company development programmes. In fact, the budget for the current and next financial year foresees an increase in turnover and the achievement of positive net results. It must also be said that current orders and those to be started soon have been reviewed in light of the cost increases already incurred and those expected, and all possible solutions have been implemented to minimise the reduction in operating margins.

In conclusion, we believe that there are no issues that could negatively affect the company's ability to continue as a going concern. On the contrary, we already believe that we can confirm, with reasonable certainty, that the current financial year will also have a positive result.

Conclusions

Dear Shareholders,

Based on the foregoing, we invite you to approve the Financial Statements examined above and to allocate the profit realised as proposed in the Notes to the financial statements.

Castelletto Ticino, 12 October 2022

Techbau S.p.A.
The Chairman of the Board
of Directors
(Francesco OSTUNI)

Report of the independent audit firm pursuant to Article 14 of Legislative Decree No. 39 of 27 January 2010

To the Shareholders of
Techbau S.p.A.

Report on the audit of the financial statements for the year

Opinion

We have audited the Financial Statements of Techbau S.p.A. (the Company), which comprise the Statement of Financial Position as at 30 June 2022, the Income Statement and Income Statement for the year then ended, and the Notes to the financial statements.

In our opinion, the Financial Statements provide a true and correct representation of the equity and financial position of the Company as at 30 June 2022 and of the net result and cash flows for the year ended on that date, in compliance with Italian accounting standards that govern their drafting.

Basis of our opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under these standards are further described in the *Auditing firm's responsibility for the audit of the financial statements* section of this report. We are independent of the Company in compliance with the rules and principles on ethics and independence applicable in the Italian legal system for auditing financial statements. We believe we have acquired sufficient and appropriate audit evidence on which to base our opinion.

Other points

The Company's Financial Statements for the year ended 30 June 2021 were audited by another auditor who, on 1 October 2021, issued an unqualified opinion on those Financial Statements.

Responsibility of Directors and Board of Statutory Auditors for the financial statements

The directors are responsible for the preparation of the financial statements which would provide a true and fair view in accordance with Italian standards governing their preparation criteria and, as required by law, for that part of internal control deemed necessary by them to enable a drafting of financial statements with no material misstatements due to fraud or unintended conduct or events.

The directors are responsible for assessing the Company's ability to continue operating as a going concern and, in preparing the financial statements, for the appropriateness of the use of the going

concern assumption, as well as for adequate disclosure in the matter. The Directors use the going concern basis in the preparation of the Financial Statements unless they have assessed that the conditions exist for the liquidation of the Company or for the interruption of the activity or they have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for supervising, within the terms established by law, the process of preparing the Company's financial reports.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are the acquisition of reasonable assurance that the financial statements as a whole do not contain material misstatement, due to fraud or unintentional conduct or events, and the issuance of a review 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 auditing standards (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 conducted in accordance with international auditing standards (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Moreover:

- we identified and assessed the risks of material misstatement in the financial statements due to fraud or unintentional behaviour or events; we defined and performed audit procedures in response to these risks; we acquired sufficient and appropriate audit evidence on which to base our opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement deriving from unintended conduct or events, because the fraud may entail the existence of collusion, forgery, deliberate omissions, misleading representations or manipulation of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have assessed the appropriateness of the accounting principles used and the reasonableness of the accounting estimates made by the Directors and the related disclosures;
- we came to a conclusion on the appropriateness of the use by the directors of the going concern basis and, based on the audit evidence, on the possible existence of significant uncertainty regarding events or circumstances that may give rise to significant doubts about the ability of the Company to continue operating on a going concern basis. 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 this report. However, subsequent events or circumstances may result in the Company ceasing to operate on a going concern basis.

- We assessed the presentation, structure and content of the financial statements as a whole, including the disclosure, and whether the financial statements represent the underlying transactions and events in order to provide a correct representation.

We disclosed to those persons entrusted with the Company's governance, identified at an appropriate level as required by International Standards on Auditing (ISA Italia), among other matters, the planned scope and timing of the audit and the significant findings, including any significant deficiencies in internal control identified during the audit.

Report on other legal and regulatory provisions

Opinion pursuant to Article 14(2)(e) of Legislative Decree no. 27 January 2010, no. 39

Techbau S.p.A. Directors are responsible for the preparation of the Techbau S.p.A. Management Report as at 30 June 2022, including its consistency with the relevant annual Financial Statements and its compliance with legal requirements.

We have performed the procedures specified in Auditing Standard (SA Italy) No. 720B for the purpose of expressing an opinion on the consistency of the Management Report with the Financial Statements of Techbau S.p.A. as at 30 June 2022 and on their compliance with statutory requirements, as well as to issue a statement on any material misstatements.

In our opinion, the Management Report is consistent with the annual Financial Statements of Techbau S.p.A. as at 30 June 2022 and has been prepared in accordance with the law.

With reference to the statement referred to in Article 14, c.2, letter e), of Legislative Decree No. 39 of 27 January 2010, issued on the basis of the knowledge and understanding of the company and its context acquired in the course of the audit activity, we have nothing to report.

Milan, 27 October 2022
EY S.p.A.

TECHBAU S.p.A
Registered office: Piazza Giovine Italia 3 – Milan

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS'
MEETING ON THE OCCASION OF THE APPROVAL OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022 DRAWN UP PURSUANT TO ARTICLE 2429, PARA. 2
OF THE ITALIAN CIVIL CODE.**

To the Shareholders of Techbau S.p.A.

First of all, it should be noted that the current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 14 March 2022 and, therefore, the supervisory activity for most of the year was carried out by the previous Board.

During the part within the scope of our responsibilities of the financial year ending 30 June 2022, our activities were guided by the provisions of the law and the Code of Conduct for Boards of Statutory Auditors of *Unlisted* Companies issued by the National Council of Accountants and Tax Advisors, published in December 2020 and in force since 1 January 2021.

Of this activity and the results achieved, we inform you with this report.

The annual Financial Statements of Techbau S.p.A. as at 30 June 2022, prepared in accordance with the Italian regulations governing their preparation, have been submitted for your examination, showing a profit for the year of EUR 19,414,509. The Financial Statements were made available to us within the legal time limit.

The external auditor entrusted with auditing the EY Spa accounts provided us with its report dated 27 October 2022 containing an unqualified opinion.

According to the report of the personal assigned for the external audit, the Financial Statements for the year ended 30 June 2022 give a true and fair view of the financial position, results of operations and cash flows of your Company and have been prepared in accordance with the Italian regulations governing their preparation.

The Board of Statutory Auditors, not being entrusted with the legal audit, carried out on the Financial Statements the supervisory activities envisaged in Rule 3.8. of the “*Code of Conduct for Boards of Statutory Auditors of Unlisted Companies*” consisting of an overall summary control aimed at verifying that the Financial Statements have been correctly drawn up. Verification of compliance with the accounting data is, in fact, the responsibility of the external auditor.

1) Supervisory activity pursuant to Art. 2403 et seq. of the Italian Civil Code

We monitored compliance with the law and the articles of association, compliance with the principles of proper administration and, in particular, the adequacy of the organisational structures, the administrative and accounting system and their proper functioning.

We attended the shareholders' meetings and board meetings and, on the basis of the information available, we have no particular issues to report.

We have obtained from the Administrative Body, with adequate advance notice and also during the meetings held, information on the general performance of operations and its foreseeable outlook, as well as on the most significant transactions, due to their size or characteristics, carried out by the company and its subsidiaries and, based on the information obtained, we have no particular observations to report.

We have met with the Supervisory Body and no critical issues have arisen with regard to the proper implementation of the organisational model that need to be highlighted in this report.

We have acquired knowledge of and supervised the adequacy of the organisational, administrative and accounting structure and its actual functioning, including through collecting information from the heads of functions, and in this regard we have no particular observations to report.

we assessed and monitored the suitability of the administrative and accounting system, as well as its reliability in terms of providing a correct representation of management events through an examination of the company's documents, and in this regard, we have no particular observations to report;

No reports from shareholders *under* Art. 2408 of the Italian Civil Code were received.

During the financial year, the Board of Statutory Auditors issued the reasoned proposal for the award of the audit engagement for the financial years 2022 - 2024.

During our supervision, as described above, no further events emerged as should be worthy of note in this report.

2) Comments on the Financial Statements

As stated in the report of the external auditor, *“the Financial Statements provide a true and fair view of the financial and equity position of the Company as at 30 June 2022, and of the net result and its cash flows for the year then ended in accordance with the Italian regulations governing the criteria for their preparation”*.

To the best of our knowledge, the Directors, in the preparation of the Financial Statements, have not departed from the provisions of Article 2423, para. 5 of the Italian Civil Code.

The Shareholders have expressly waived the time limits set forth in Article 2429 of the Italian Civil Code for the filing of this unitary report, releasing us from any dispute.

3) Observations and proposals with regard to the approval of the Financial Statements

Considering the results of the work we have performed and the opinion expressed in the audit report issued by the personal performing the external audit, we invite the shareholders to approve the Financial Statements for the year ended 30 June 2022, as prepared by the Directors.

The Board of Statutory Auditors agrees with the proposal for the allocation of the annual result formulated by the Directors in the Notes to the financial statements.

for THE BOARD OF STATUTORY AUDITORS

The Chairman

Milan / Gallarate, 27 October 2022