

EDILIZIACROBATICA SPA

*Consolidated Financial Statements as at
31.12.2020*

Financial statement formats

<u>ASSETS</u>	31.12.2020	31.12.2019
A. SUBSCRIBED CAPITAL, UNPAID	-	-
B. FIXED ASSETS		
I. Intangible fixed assets		
1) Start-up and expansion costs	2,767,701	2,679,746
2) Development costs	20,000	40,000
3) Industrial patent and intellectual property usage rights	326,638	113,717
4) Concessions, licences, trademarks and similar rights	1,751	2,304
5) Goodwill	236,684	236,684
6) Assets under construction and payments on account	304,901	237,919
7) Other intangible fixed assets	771,123	605,417
8) Consolidation difference	-	-
Total Intangible fixed assets	4,428,798	3,915,787
II. Tangible fixed assets		
1) Land and buildings	-	-
2) Plant and machinery	155,849	150,283
3) Industrial and commercial equipment	465,061	422,623
4) Other assets	682,871	655,639
5) Assets under construction and payments on account	-	-
6) Fixed assets leased out	-	-
Total tangible fixed assets	1,303,781	1,228,545
III. Financial assets		
1) Equity investments		
a) in subsidiaries	-	-
b) in associate companies	-	-
c) in parent companies	-	-
d) companies subject to the control of parent companies d-bis) other companies	-	-
2) Receivables		
a) from subsidiaries	-	-
b) from associate companies	-	-
c) from parent companies	-	-
d) companies subject to the control of parent companies d-bis) other companies	-	-
<i>Due within the year</i>	-	-
<i>Due beyond the next year</i>	-	-

3) Other securities	-	-
4) financial derivative assets	33,224	-
Total Financial fixed assets	33,224	-
TOTAL FIXED ASSETS (B)	5,765,803	5,144,331
C. CURRENT ASSETS		
I. Inventories		
1) Raw, ancillary and consumable materials	2,707,058	2,642,854
2) Work in progress and semi-finished products	-	-
3) Contract work-in-progress	-	-
4) Finished products and goods	-	-
5) Advances	-	-
Total inventories	2,707,058	2,642,854
II. Receivables		
1) From customers	20,724,296	13,667,049
<i>Due within the year</i>	<i>12,253,395</i>	<i>13,667,049</i>
<i>Due beyond the next year</i>	<i>8,470,901</i>	-
2) From subsidiaries	-	0
3) From associate companies	-	-
4) From parent companies	-	0
5) From subsidiaries of parent companies 5-bis) Tax	-	-
receivables	3,326,725	3,135,378
<i>Due within the year</i>	<i>3,326,725</i>	<i>3,135,378</i>
<i>Due beyond the next year</i>	-	-
5-ter) Prepaid taxes 5-	324,868	211,040
quater) Others	2,479,932	2,031,949
<i>Due within the year</i>	<i>2,479,932</i>	<i>2,031,949</i>
<i>Due beyond the next year</i>	-	-
Total receivables	26,855,821	19,045,416
III. Financial assets that do not constitute long-term investments		
1) Equity investments in subsidiaries	-	-
2) Equity investments in affiliate companies	-	-
3) Equity investments in parent companies	-	-
3-bis) Equity investments in companies subject to the control of parent	-	-
companies	-	-
4) Equity investments in other companies	-	-
5) financial derivative assets	9,244,404	4,105,749
6) Other securities	9,244,404	4,105,749
Total Financial assets that do not constitute long-term investments		
IV. Cash and cash equivalents	8,223,425	5,696,160
1) Bank and postal deposits	-	-
2) Cheques	18,542	19,606
3) Cash in hand	8,241,967	5,715,766
Total Cash and cash equivalents		
TOTAL CURRENT ASSETS (C)	47,049,250	31,509,785
D. ACCRUED INCOME AND PREPAID EXPENSES	682,175	123,060
TOTAL ASSETS	53,497,228	36,777,177

LIABILITIES	31.12.2020	31.12.2019
A. SHAREHOLDERS' EQUITY		
I – Capital	803,250	792,424
II - Share premium reserve III - Revaluation reserves	6,680,369	6,255,986
IV - Legal reserve	-	-
V - Statutory reserves	158,485	154,506
VI - Other reserves, otherwise indicated	-	-
VII - Reserve for expected hedging	4,389	116
transactions VIII - Retained earnings (losses)	- 22,839	-
IX - Profit (loss) for the year	3,481,007	3,190,216
X - Negative reserve for treasury shares in portfolio	1,757,640	1,093,450
	-	-
CONSOLIDATED GROUP SHAREHOLDERS' EQUITY	12,862,301	11,486,698
Minority interests in capital and reserves	-	39,922
PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO MINORITY INTERESTS	-	7,146
CONSOLIDATED GROUP AND MINORITY SHAREHOLDERS' EQUITY	12,862,301	11,533,766
B. PROVISIONS FOR RISKS AND CHARGES		
1) Provisions for pensions and similar obligations	-	-
2) Provisions for taxes, including deferred	58,708	32,145
2 bis) Consolidated provision for future risks and charges	-	-
3) Financial derivative liabilities	56,062	-
4) Others	5,352	519
TOTAL PROVISIONS FOR RISKS AND CHARGES	120,122	32,664
C. EMPLOYEE SEVERANCE INDEMNITIES SUB.	1,663,193	1,126,476
D. PAYABLES		
1) Bonds	9,740,976	5,000,000
<i>Due within the year</i>	-	714,300
<i>Due beyond the next year</i>	9,740,976	4,285,700
2) Convertible bonds	-	-
3) Payables to shareholders for loans	-	250
4) Payables to banks	14,926,067	7,328,657
<i>Due within the year</i>	3,868,618	6,281,102
<i>Due beyond the next year</i>	11,057,449	765,013
5) Payables to other lenders	507,496	155,990
<i>Due within the year</i>	23,062	55,568
<i>Due beyond the next year</i>	484,434	100,422
6) Advances	1,396,781	1,287,242
<i>Due within the year</i>	1,396,781	1,287,242
<i>Due beyond the next year</i>	-	-
7) Trade payables	5,269,421	5,375,549
<i>Due within the year</i>	5,269,421	5,375,549
<i>Due beyond the next year</i>	-	-
8) Payables represented by credit instruments	-	-
9) Payables to subsidiaries	-	-
10) Payables to associate companies	-	-
11) Payables to parent companies	70,028	70,423
<i>Due within the year</i>	70,028	70,423

<i>Due beyond the next year</i>		
11-bis) Payables to companies subject to the control of parent companies	-	-
12) Taxes payable	2,297,784	1,459,216
<i>Due within the year</i>	2,265,211	1,168,539
<i>Due beyond the next year</i>	32,573	76,004
13) Payables to social security institutions	1,581,826	1,368,972
<i>Due within the year</i>	1,581,826	1,368,972
<i>Due beyond the next year</i>	-	-
14) Other payables	2,719,767	1,741,697
<i>Due within the year</i>	2,719,767	1,741,697
<i>Due beyond the next year</i>	-	-
TOTAL PAYABLES	38,510,146	23,787,996
E. ACCRUED EXPENSES AND DEFERRED INCOME	341,466	296,275
TOTAL LIABILITIES	53,497,228	36,777,177

INCOME STATEMENT	31.12.2020	31.12.2019
A. VALUE OF PRODUCTION		
1) Revenue from sales and services	44,664,415	39,224,623
2) Change in work in progress, semi-finished and finished products	0	0
3) Change in contract work-in-progress	0	0
4) Increases in fixed assets for internal works	829,457	2,082,534
5) Other revenue and proceeds		
a) operating grants	280,461	79,365
b) others	394,425	368,715
Total Other revenue and proceeds	674,886	448,080
TOTAL VALUE OF PRODUCTION (A)	46,168,758	41,755,237
B. COSTS OF PRODUCTION		
6) For raw and ancillary materials, consumables and goods	5,409,372	5,786,364
7) For services	10,725,047	8,859,987
8) For use of leased assets	2,996,618	2,718,585
9) For personnel:		
a) salaries and wages	12,760,857	10,237,281
b) social security contributions	7,054,797	6,187,416
c) employee severance indemnity	1,011,252	756,691
d) pensions and similar obligations	0	0
e) other costs	440,942	2,719,688
Total Personnel costs	21,267,848	19,901,076
10) Amortisation, depreciation and write-downs		
a) amortisation of intangible fixed assets	924,401	1,429,047
b) depreciation of tangible fixed assets	197,512	247,405
c) write-downs of intangible and tangible fixed assets	0	0
d) write-down of receivables included in the current assets	728,134	215,000
11) Change in inventories of raw and ancillary materials, consumables and goods	-285,928	-875,503
12) Provision for risks and charges	5,352	0

13) Other provisions	0	0
14) Other operating charges	1,054,881	1,152,844
TOTAL COSTS OF PRODUCTION (B)	43,023,237	39,434,804
DIFFERENCE BETWEEN VALUE OF PRODUCTION AND COSTS OF PRODUCTION (A-B)	3,145,521	2,320,433
C. FINANCIAL INCOME AND CHARGES		
15) Income from equity investments	0	0
16) Other financial income:		
a) from receivables classified as fixed assets	0	0
b) from securities classified under fixed assets not representing equity investments	0	0
c) from securities included under current assets not constituting equity investments	0	0
d) income other than the above		
- interest and commissions from subsidiaries	0	0
- interest and commissions from associate companies	0	0
- interest and commissions from parent companies	0	0
- interest and commissions from others and miscellaneous income	41,330	23,935
17) interest and other financial charges		
a) to subsidiaries	0	0
b) to associate companies	0	0
c) to parent companies	0	-0
d) others	-432,664	-386,993
17-bis) Exchange gains and losses	0	0
TOTAL FINANCIAL INCOME AND CHARGES (C)	-391,334	-363,058
D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
18) Write-ups		
a) of equity investments	0	0
b) of financial fixed assets that do not constitute equity investments	0	0
c) of securities included under current assets that do not constitute equity investments	90,654	87,233
d) of derivative financial instruments	0	0
19) Write-downs		
a) of equity investments	0	0
b) of financial fixed assets that do not constitute equity investments	0	0
c) of securities included under current assets not constituting equity investments	0	0
d) of derivative financial instruments	0	0
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	90,654	87,233
PROFIT/LOSS BEFORE TAXES (A-B+-C+-D)	2,844,841	2,044,608
20) Income taxes for the year, current, deferred and prepaid		
- current	1,502,524	1,091,628
- deferred (prepaid)	-150,154	-54,350
- relating to previous years	-265,169	-93,266
21) PROFIT/LOSS FOR THE YEAR INCLUDING MINORITY INTERESTS	1,757,640	1,100,596
PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO MINORITY INTERESTS	0	7,146
GROUP PROFIT (LOSS)	1,757,640	1,093,450

	31.12.2020	31.12.2019
Cash flow statement, indirect method		
A) Cash flow from operating activities (indirect method)		
Profit (loss) for the year	1,757,640	1,100,596
Income taxes	1,087,201	944,012
Interest expense/(income)	391,334	363,058
(Dividends)		
Capital (gains)/losses from disposal of assets		
1) Profit (loss) for the year before income tax, interest, dividends and gains/losses on disposal	3,236,175	2,407,666
Adjustments for non-monetary items not offset in net working capital		
Allocations to provisions	1,744,738	971,691
Amortisation/depreciation of fixed assets	1,121,913	1,676,452
Write-downs for permanent losses in value		
Value adjustments of financial assets and liabilities of derivatives that do not involve monetary transactions	(22,839)	
Other increases/(decreases) due to non-monetary items	(90,655)	(87,232)
Total adjustments for non-monetary items not offset in net working capital	2,753,157	2,560,911
2) Cash flow before changes in net working capital	5,989,332	4,968,577
Changes in net working capital		
Decrease/(Increase) in inventories	(64,204)	(894,308)
Decrease/(Increase) in trade receivables	(7,785,381)	(4,392,727)
Increase/(Decrease) in trade payables	(106,128)	1,343,044
Decrease/(Increase) in accrued income and prepaid expenses	(559,115)	(53,566)
Increase/(Decrease) in accrued expenses and deferred income	45,191	240,671
Other decreases/(increases) in net working capital	45,535	(1,489,540)
Total changes in net working capital	(8,424,102)	(5,246,427)
3) Cash flow after changes in net working capital	(2,434,769)	(277,850)
Other adjustments		
Interest collected/(paid)	(391,334)	(363,058)
(Income tax paid)	(220,786)	(269,693)
Dividends received (Use of provisions)		
Other collections/(payments)	(612,120)	(632,751)
Total other adjustments		
Cash flow from operating activities (A)	(3,046,889)	(910,601)
B) Cash flow from investment activities		
Tangible fixed assets		
(Investments)	(272,748)	(698,944)
Disposals		
Intangible fixed assets		
(Investments)	(1,437,412)	(3,607,872)
Disposals		
Financial assets		
(Investments)	(33,224)	
Disposals		
Total non-current financial assets		
(Investments)	(5,048,000)	
Disposals		
<i>Acquisition of subsidiaries, net of cash and cash equivalents</i>		
<i>Sale of subsidiaries, net of cash and cash equivalents</i>		
Cash flow from investment activities (B)	(6,791,384)	(4,306,816)
C) Cash flow from financing activities		
Loan capital		
Increase/(Decrease) in short-term payables to banks	(9,287,274)	2,264,925
Loans taken out	23,164,168	2,220,914
(Loans repaid)	(1,187,002)	(2,356,285)
Shareholders' equity		
Paid in capital increase	435,309	728,109
(Capital reduction)		
Sale/(Purchase) of own shares		
(Dividends and interim dividends paid)	(760,727)	
Financial flow from financing activities (C)	12,364,474	2,857,662

Changes in the scope of consolidation (D)		(364,096)
Increase (decrease) in cash and cash equivalents (A ± B ± C ± D)	2,526,201	(2,723,850)
Effects of foreign currency translation on cash and cash equivalents		
Cash and cash equivalents at year start		
Bank and postal deposits	5,696,160	8,425,242
Cheques		
Cash and similar items of value on hand	19,606	14,374
Total cash and cash equivalents at year start	5,715,766	8,439,616
Of which not freely usable		
Cash and cash equivalents at year end		
Bank and postal deposits	8,223,425	5,696,160
Cheques		
Cash and similar items of value on hand	18,542	19,606
Total cash and cash equivalents at year end	8,241,967	5,715,766
Of which not freely usable		

Cash Flow Statement end notes:

The change in the scope of consolidation was due to the merger of the subsidiaries during the year.

Explanatory Notes

STRUCTURE AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements of Ediliziacrobatica S.p.A. and its subsidiaries (jointly, the "Ediliziacrobatica Group" or "EDAC") were prepared in accordance with the rules of the Italian Civil Code, supplemented and interpreted by the accounting standards adopted by the Italian Accounting Body (OIC).

The financial statements have been prepared assuming that the company is a going concern, there being no significant uncertainty about this.

They consist of the balance sheet and the income statement (prepared in accordance with the formats set out in art. 2424, 2424-bis of the Italian Civil Code, art. 2425 and 2425-bis of the Italian Civil Code and art. 2425-ter of the Italian Civil Code) and these explanatory notes.

The purpose of the explanatory notes is to provide an illustration, analysis and, in some cases, additional financial statement figures, and contain the information required by articles 2427 and 2427 bis of the Italian Civil Code, as well as other provisions of the Italian Civil Code concerning financial statements and other previous laws. Furthermore, they provide all the additional information deemed necessary to give the most transparent and complete representation, even if not required by specific legal provisions.

Going concern considerations

Accounting standard OIC 11 establishes that in the preparation of the financial statements, the company management must perform a prospective assessment of the company's ability to continue to constitute a functioning economic complex for the production of income for a foreseeable future period, relating to a period of at least 12 months from the balance sheet date. In cases where, as a result of this forward-looking valuation, significant uncertainties regarding this capacity are identified, the explanatory notes must clearly provide information relating to the risk factors, the assumptions made and the uncertainties identified, as well as future business plans to address these risks and uncertainties.

The explanatory notes must therefore report on the prospect of continuing as a going concern.

In this regard, note that during the 2020 financial year the health emergency due to COVID-19 manifested itself worldwide, which caused losses for a large number of companies and great economic uncertainties. The so-called "re-launch decree" number 34/2020 addressed the issue with article 38 quater, which provides as follows: "In the preparation of the financial statements for the year as at 31 December 2020, the valuation of the items and the prospect for the continuation of business referred to in article 2423 bis, first

paragraph, number 1) of the Italian Civil Code can in any case be based on the results of the last financial statements for the year ended by 23 February 2020".

In March 2021, with reference to the year ended 31 December 2020, the OIC published interpretative document no. 8, "Law no. 77 of 17 July 2020, Transitional provisions on the principles of preparation of the financial statements" (business continuity), a document that clarifies the option of exemption from the principle of continuity.

A careful analysis of the situation of the company and its prospects for future operations allows us to positively assess its ability to continue to constitute a functioning economic complex for the production of income for a foreseeable future period, with a multi-year duration: therefore there are no risks to business continuity and it is not necessary to resort to the above exemption.

Subsequent events

Implementation of the new IT system: the Group has entered into an agreement with Reply that calls for the implementation of the ERP and the Oracle Cloud CRM in 2021. The project, also in view of new company acquisitions even at an international level, aims to provide all group companies with a state-of-the-art IT environment. Reply (listed on the STAR of Borsa Italiana) specialises in the design and implementation of solutions based on new communication channels and digital media. Consisting of a network model of highly specialised companies, Reply supports the main European industrial groups belonging to the Telco & Media, Industry and Services, Banks and Insurance and Public Administration sectors in the definition and development of business models enabled by the new paradigms of Big Data, Cloud Computing, Digital Media and the Internet of Things. Reply's services include: Consulting, System Integration and Digital Services.

Start of the transfer of tax credits to the banking system: pursuant to article 121 of Italian Decree-Law no. 34 of 2020 (so-called Relaunch Decree), parties who in 2020 and 2021 incur expenses for building renovations may, in place of the direct use of the deduction due, alternatively opt for:

- A contribution in the form of a discount on the consideration due, up to a maximum amount equal to the consideration itself, advanced by the suppliers who perform the works and are compensated with a tax credit of an amount equal to the deduction due, with the right to subsequently transfer the credit to other parties, including credit institutions and other financial intermediaries.
- The transfer of a tax credit of the same amount, with the right of subsequent transfer to other parties, including credit institutions and other financial intermediaries.

As a result of this regulatory provision, Ediliziacrobatica S.p.A. is the holder of a considerable amount of tax receivables. Since the process of certification of tax receivables and the various phases of the subsequent transfer envisaged by the legislation required a few months for the Italian banking system to update its operations, Ediliziacrobatica S.p.A. began to sell the tax receivables in its portfolio to banks in order to retire the tax receivables acquired from customers only at the end of February 2021. At the date of this document, the Company has transferred tax credits to the banking system for an amount of €4,217 thousand.

As far as the French subsidiary is concerned, there are no significant subsequent events to report. Please refer to the paragraph "Management outlook" of the Management Report for an analysis of the performance of the first few months of the year.

In compliance with art. 2423, paragraph 5, the consolidated financial statements have been prepared in euros.

The consolidated financial statements include the financial statements of Ediliziacrobatica S.p.A. (the "Company" or "Parent Company") and the financial statements of the following companies controlled by the Parent Company:

- EDAC France S.a.s., with registered office in Riveslatese, with share capital of €550,509, 100% owned. Please refer to the

commentary in the management report for the main initiatives of the investee companies.

The financial statements of Edac France s.a.s. used for consolidation are the ones prepared by the Board of Directors of the subsidiary, modified or reclassified where necessary to bring them into line with Group accounting standards, which comply with current legal provisions.

CONSOLIDATION PRINCIPLES

The consolidation principles used are detailed below:

- The book values of the equity investments in Edac France S.a.s. were eliminated against the relative shareholders' equity in light of the assumption of the assets and liabilities of the subsidiary, according to the global integration method. The differences between the cost of equity investments and the corresponding shares of shareholders' equity of the investee were fully recorded in the shareholders' equity item called "Retained earnings (losses)".
- Transactions that give rise to credit and debit items and costs and revenues between companies consolidated using the global integration method have been eliminated.

- Unrealised gains arising from intra-group transactions between companies included in the valuation of intangible assets were eliminated.
- The portions of shareholders' equity and the result attributable to minority shareholders participating in the seven subsidiaries have been shown separately in a specific item of the financial statements.

CHANGES IN THE SCOPE OF CONSOLIDATION

The following is a description of the main transactions involving the companies belonging to the Group and their effects on the consolidated financial statements:

Merger transactions

On 26 November 2020 the Merger Project became effective retroactively to 1 January 2020.

ACCOUNTING PRINCIPLES

The accounting principles set out below have been updated with the amendments, additions and new developments introduced to the provisions of the Civil Code by Italian Legislative Decree no. 139/2015, which transposed Accounting Directive 34/2013/EU in Italy. Specifically, the national accounting standards were applied in the version reformulated by the OIC on 22 December 2016. The application of these principles, where required, was agreed to with the Board of Statutory Auditors.

MEASUREMENT CRITERIA

The criteria adopted for the valuation and value adjustments of the various categories of assets are those set out in art. 2426 of the Italian Civil Code, interpreted and supplemented by the accounting standards prepared by the Italian Accounting Body (OIC), and, where missing and not in contrast with Italian accounting standards and principles, by those issued by the International Accounting Standard Board (IASB), with the prospects of a going concern, with the further clarifications set out below.

These were applied prudently, taking into account the economic function of the asset and liability item concerned.

In compliance with art. 2426 of the Italian Civil Code and the aforementioned accounting standards, the most significant criteria adopted in the measurement of the items of the consolidated financial statements are the following:

Intangible fixed assets – These are recorded at purchase or production cost, including accessory charges and costs directly attributable to the product, and systematically amortised on a straight-line basis in relation to the residual possibility of use of the assets. Start-up and expansion costs and costs for applied research and development with a useful life spanning several years are amortised on a straight-line basis based on their future usefulness estimated to be five years. Until the amortisation is completed, dividends can only be distributed if sufficient reserves are available to cover the amount of unamortised costs. Costs incurred for basic research are charged to the income statement in the year they are incurred.

Start-up and expansion costs are amortised over a period of five years, with amortisation on a straight-line basis. Development costs are amortised according to their useful life. In exceptional cases where it is not possible to reliably estimate their useful life, they are amortised over a period not exceeding five years. Until the amortisation is completed, dividends can only be distributed if sufficient reserves are available to cover the amount of unamortised costs.

Advertising and research costs are fully allocated at cost in the year they are incurred.

Improvements on leased assets are capitalised and recorded under “other intangible fixed assets” if they are not separable from the assets themselves (otherwise they are recorded under “tangible fixed assets” in the specific item they belong to). They are amortised systematically at the lesser of the period of expected future utility and the residual period of the lease, taking into account any renewal period, if dependent on the Company.

Note that as at 31 December 2020 the Parent Company made use of the exception envisaged by art. 60 of Italian Law no. 126 of 13 October 2020 converting with amendments Decree-Law no. 104 of 14 August 2020, suspending amortisation for the year for a period of six months. The portion of amortisation not made pursuant to this article will be allocated to the income statement for the following year and with the same criterion the subsequent portions will be deferred, thus extending the original amortisation for this portion by six months. For more information, refer to the notes in the section “Intangible assets”.

If there is a permanent loss in value regardless of the amortisation already recorded, the fixed asset is written down accordingly. If the reasons for the write-down no longer apply in subsequent years, the

original value is reinstated within the limits of the value that the asset would have had if the value adjustment had never taken place, except for the item "Long-term charges" referred to in number 5 of art. 2426 of the Italian Civil Code.

The entry and valuation of intangible assets is made with the consent of the Board of Statutory Auditors in the cases established by law.

Tangible fixed assets – These are recorded at purchase or internal construction cost, net of depreciation during the year and in previous years. The cost includes ancillary charges and direct and indirect costs for the portion reasonably attributable to the asset, relating to the period of manufacture and while the asset can be used. Tangible fixed assets may be revalued only in cases where special laws require or permit it.

Fixed assets recorded at cost in foreign currency are recorded at the exchange rate at the time of their purchase or at the lower year-end rate if the reduction is deemed to be lasting.

The fixed assets are systematically depreciated each year on a straight-line basis, which are considered representative of the residual useful life of the assets. The rates applied are shown in the notes to the assets. For fixed assets that came into operation during the year the rates are reduced by 50%, assuming that purchases are uniformly distributed throughout the year. Depreciation is also calculated on assets that are temporarily not in use. Land whose usefulness is not exhausted is excluded from depreciation.

Note that as at 31 December 2020 the Parent Company made use of the exception envisaged by art. 60 of Italian Law no. 126 of 13 October 2020 converting with amendments Decree-Law no. 104 of 14 August 2020, suspending depreciation for the year for a period of six months. The portion of depreciation not made pursuant to this article will be allocated to the income statement for the following year and with the same criterion the subsequent portions will be deferred, thus extending the original depreciation for this portion by six months. For more information, refer to the notes in the section "Tangible assets".

Buildings that represent a form of investment of financial means are not depreciated if the residual value is equal to or greater than the net book value.

If there is a permanent loss in value regardless of the depreciation already recorded, the fixed asset is written down accordingly. If the reasons for the write-down no longer apply in subsequent years, the original value is restored, within the limits of the value the asset would have had if the value adjustment had never taken place.

Ordinary maintenance and repair costs are charged in full to the income statement. Maintenance costs that increase the value of the asset are attributed to the fixed assets they refer to and are depreciated with respect to their residual possibility of use.

Costs incurred to expand, modernise or improve the structural elements of a tangible fixed asset can be capitalised if they produce a significant and measurable increase in production capacity, safety or useful life. If these costs do not produce these effects, they are treated as ordinary maintenance and charged to the income statement.

At the time when tangible assets are destined for sale, they are reclassified in a specific item in current assets and therefore valued at the lower of the net book value and the estimated realisable value based on the current market. Assets held for sale are no longer subject to depreciation.

The fixed assets are depreciated on a straight-line basis based on the economic-technical rates determined in relation to the residual useful life of the assets.

Assets with a unit value of less than €516 and of rapid use are fully expensed in the year they are acquired.

Plant grants are recognised when it is reasonably certain that the conditions set out for the recognition of the grant are met and that the grants will be disbursed. They are indirectly reduced in cost as they are recorded in the income statement under item A5 "other revenues and income", and therefore deferred for accrual to subsequent years under "deferred income".

Write-downs for permanent losses in value of tangible and intangible fixed assets – At each balance sheet date, the Group assesses the existence of indicators of potential permanent losses in value of tangible and intangible fixed assets, including goodwill. If such indicators exist, the value of said assets is reduced to the relative recoverable value, understood as the higher between the value in use and the fair value.

A loss of value is recognised if the recoverable amount is less than the net book value of the asset.

Any write-down for impairment is reinstated if the reasons for it are no longer valid, within the limits of the original value net of amortisation/depreciation.

Financial fixed assets – These are represented by equity investments in subsidiaries, associated and other companies, not consolidated using the global integration method, by debt securities and receivables recorded among fixed assets if they are intended to remain among the Group's assets.

Equity investments in other companies, where the percentage held is less than 30% or in subsidiary and associate companies that are not operational, in liquidation or of little significance within the Group, or in the event that the information for the application of the full consolidation method is not obtainable in a timely manner or without proportionate expenses, are valued using the cost method. The book value is determined on the basis of the purchase price. In cases where the pro-quota of shareholders' equity in the possession of the Company is lower than the carrying value of the investment recorded in the financial statements, the cost is reduced if this condition represents a permanent loss in value. The original value is reinstated in subsequent years if the reasons for the write-down made cease to exist. Losses in excess of the book value of the investments are set aside in a specific liability provision.

Receivables recorded under financial fixed assets are shown at their estimated realisable value, determined where appropriate by adjusting the nominal value of the receivables so as to take into account all risks of non-collection.

Financial derivatives – Financial derivatives are financial assets and liabilities recognised at fair value. Derivatives are classified as hedging instruments only when, at the beginning of the hedge, there is a close and documented correlation between the characteristics of the hedged item and those of the hedging instrument, and this hedging relationship is formally documented and the effectiveness of the hedge – verified periodically – is high. Therefore, changes in the relative fair value of derivative financial instruments are recognised:

- In the income statement in items D18 or D19 in the event of fair value coverage of an asset or liability recorded in the balance sheet as well as changes in the fair value of the hedged items (if the change in fair value of the hedged item is greater than the absolute value of the change in the fair value of the hedging instrument, the difference is recorded in the income statement item affected by the hedged item).
- In a specific equity reserve (in the item AVII "Reserve for expected cash flow hedging transactions") in the case of hedging financial flows in such a way as to offset the effects of the flows subject to hedging (the ineffective component, as well as the change in the time value of options and forwards, is classified in items D18 and D19).

Inventories – Inventories are stated at the lower of purchase or production cost and their estimated realisable value based on market trends (art. 2426, number 9 of the Italian Civil Code). By purchase cost is meant the actual purchase price plus ancillary charges, excluding financial charges.

In the case of goods, finished products, semi-finished products and products in progress, the net realisable value of these goods is taken as a reference for the determination of the realisable value based directly on market trends. Inventories are written down in the financial statements when the realisable value based on market trends is lower than the relative book value. Obsolete and slow-moving inventories are written down in relation to their possible use or realisation.

Receivables – The amortised cost approach is not applied when the effects are insignificant, i.e. when the transaction costs, the commissions paid between the parties and any other difference between the initial value and the value at maturity are of scant importance or if the receivables are short-term (i.e. with a maturity of less than 12 months).

The value of receivables, as determined above, is adjusted where necessary by a specific allowance for doubtful accounts shown as a direct reduction of the value of the receivables in order to adjust them to their estimated realisable value.

The amount of the write-down is recognised in the income statement.

Receivables generated by centralised treasury management (i.e. cash pooling) are recognised if the terms of collectability allow it, in a specific item of Current Assets. If the short-term collectability terms are not met, these receivables are recognised under financial fixed assets.

Cash and cash equivalents – Cash and cash equivalents at the end of the year are valued at nominal value. Cash denominated in foreign currency is valued at the year-end exchange rate.

Accruals and deferrals – Accruals and deferrals include the portion of costs and revenues pertaining to the year but due in subsequent years, and the portion of costs and revenues incurred by the end of the year but pertaining to subsequent years, on an accruals basis.

Provisions for risks and charges – Provisions for risks and charges are provided to cover losses or debts of a determined, certain or probable nature, the timing and amount of which cannot be determined at year end. The provisions reflect the best estimate possible based on the elements available. Risks for which the occurrence of a liability is only possible are indicated in the provisions' notes, without allocating a provision for risks and charges. Provisions for risks and charges are recorded primarily in the income statement items of the relevant classes (B, C or D). Whenever this correlation between the nature of the provision and one of the items in the aforementioned classes is not applicable, provisions for risks and charges are recorded under items B12 and B13 of the income statement.

Provision for employee severance indemnities – The provision for employee severance indemnities includes the amount that employees would be entitled to receive in the event of termination of employment on the balance sheet date. The accrued indemnities constituting the above item, i.e. the portion of the provision pertaining to the year and the annual revaluation of the pre-existing provision, are determined in accordance with the regulations in force. The employee severance indemnity is recorded under liability item C and the related provision under item B9 of the income statement.

The provision for employee severance indemnities represents the actual debt matured for the employees in compliance with the law and the current labour contract, pursuant to art. 2120 of the Italian Civil Code, and has been recorded in each year on an accruals basis. Pursuant to Italian Law no. 296 of 27 December 2006 (2007 Finance Act), the TFR (employee severance indemnity) contributions accrued up to 31 December 2006 remained set aside in the company; the subsequent indemnities, at the discretion of the employee, could be allocated to supplementary pension schemes or paid to the Treasury Fund managed by INPS or be kept in the company.

Payables – Payables are recorded according to the amortised cost criterion, taking into account the time factor. The amortised cost criterion is not applied to payables if its effects are insignificant. The effects are considered irrelevant for short-term payables (i.e. with a maturity of less than 12 months). For the amortised cost approach, see what has been stated with regard to receivables. Payables for holidays accrued by employees and for deferred remuneration, including the amounts due to social security institutions, are allocated on the basis of the amount that should be paid in the event of termination of employment at the balance sheet date.

Financial lease transactions (Leases) – In the statutory financial statements, in accordance with the consolidated practice followed in Italy, the assets subject to financial lease from third parties are accounted for among the assets only at the time of redemption, while the financial lease payments are recorded in the income statement, linearly distributed over the duration of the contract (equity method).

The financial method applied in the annexed consolidated financial statements to finance lease transactions provides as follows:

- The value of the assets received under financial lease is recorded under tangible fixed assets and amortised over the estimated useful life.
- The residual debt to the lease companies is recorded among the payables to other lenders.
- Interest accrued and included in the fees pertaining to the year are recorded under financial charges, while the remaining part of the fees pertaining to the year is eliminated from the income statement.
- Prepaid expenses for lease payments are eliminated from the balance sheet.

In the statement of reconciliation between the shareholders' equity and profit or loss of the parent company and the consolidated ones, the effects of accounting for assets received under lease from third parties according to the financial method are highlighted as part of the consolidation adjustments.

Revenues – Revenues from the sale of goods are recognised when there is a material and non-formal transfer of ownership, taking the transfer of risks and benefits as the parameter of reference for the material transfer.

Revenues from the sale of products and goods or the provision of services related to operations are recognised net of returns, discounts, rebates and premiums, as well as taxes directly related to the sale of the products and the provision of services.

Revenues for the provision of services are recognised upon their completion and/or accrual. Transactions with related parties were carried out under normal market conditions.

Costs – Costs are accounted for on an accrual basis, regardless of the date of receipt and payment, net of returns, discounts, allowances and premiums.

Dividends – Dividends are accounted for in the year in which they are resolved by the Shareholders' Meeting. Dividends are recognised as financial income regardless of the nature of the reserves being distributed.

Financial income and charges – Financial income and charges are recognised on an accruals basis. Costs related to the retirement of receivables for any reason (with recourse and without recourse) and of any nature (commercial, financial, other) are charged in the relevant year.

Income taxes for the year – These are recorded on the basis of an estimate of taxable income in accordance with the provisions in force, taking into account applicable exemptions and tax credits due.

Deferred tax assets and liabilities are calculated on the temporary differences between the values of assets and liabilities determined according to civil law criteria and the corresponding values recognised for tax purposes. Their valuation is calculated taking into account the presumed tax rate that the Company is expected to sustain in the year in which these differences will contribute to the formation of the fiscal result, considering the rates in force or already issued at the balance sheet date and are respectively posted in the "deferred tax provision" recorded in the liabilities among the provisions for risks and charges and in the item "prepaid tax receivables" of current assets.

Prepaid tax assets are recognised for all deductible temporary differences, with respect to the principle of prudence, if there is a reasonable certainty of their existence in the years in which they will be offset by taxable income of no less than the amount of such differences, which will then be offset.

Conversely, deferred tax payables are recognised on all taxable temporary differences.

Deferred taxes relating to suspended tax reserves are not recognised if there is a low probability of distributing such reserves to shareholders.

TRANSLATION OF FOREIGN CURRENCY ITEMS

Non-monetary assets and liabilities originally expressed in foreign currency are recorded in the balance sheet at the exchange rate at the time of their purchase, i.e. at the initial registration cost.

Assets and liabilities originally expressed in foreign currency of a monetary nature are converted into the financial statements at the spot exchange rate at the year-end date. The related exchange gains and losses are recorded in the income statement and any net profit is set aside in a specific reserve that cannot be distributed until realised.

USE OF ESTIMATES

The preparation of the consolidated financial statements and the related Explanatory Notes requires the making of estimates and assumptions that affect the value of the assets and liabilities recorded, the information on potential assets and liabilities at the financial statement date and the amount of revenues and costs for the period.

Estimates are used in various areas, such as the allowance for doubtful receivables, amortisation/depreciation, employee benefits, income taxes, other provisions for risks and the valuation of any impairment of tangible, intangible and financial fixed assets (including equity investments).

Actual results may differ from the estimates due to the uncertainty of the assumptions and conditions underlying the estimates. The estimates and assumptions are reviewed periodically by the Group based on the best knowledge of the Group's business and other factors reasonably inferable from the current circumstances. The effects of each change are immediately reflected in the income statement.

CASH FLOW STATEMENT

The cash flow statement includes all cash inflows and outflows of cash and cash equivalents during the period. In the cash flow statement, the following types of cash flows have been presented separately:

- a. Operating activities
- b. Investment activities
- c. Financing activities

The categories of cash flows are presented in the sequence indicated above.

Cash flows from operating activities are determined by the indirect method, i.e. by adjusting the profit or loss for the year presented in the income statement.

The algebraic sum of the cash flows of each category above represents the net change (increase or decrease) in cash and cash equivalents during the year. The form of presentation of the cash flow statement is indirect.

Interest paid and received is presented separately among the cash flows of operating activities, except in particular cases where they refer directly to investments (investment activities) or to financing (financing activities).

The dividends collected and paid are presented separately, in the operating activities and in the financing activities, respectively. The cash flows related to income taxes are shown separately and classified in the income statement.

OTHER INFORMATION

Exceptions pursuant to the 4th paragraph of art. 2423 – Note also that there were no exceptional cases that required exceptions to the law relating to the financial statements pursuant to the 4th paragraph of art. 2423.

Pursuant to art. 2427 of the Italian Civil Code, note that:

- During the year no financial charges were attributed to the values recorded in the balance sheet assets.
- There are no commitments other than those detailed in the explanatory notes.

COMMENTS ON THE MAIN ASSET ITEMS

Introduction. explanatory notes – assets

Introduction

A detailed description of the items that make up the balance sheet as at 31 December 2020 is given below.

FIXED ASSETS

With regard to the fixed assets (intangible and tangible), as set out in the following pages specific statements have been drawn up showing the historical costs, previous amortisation/depreciation, previous write-ups and write-downs, changes during the year, final balances, and the total of the write-ups at year end.

Introduction, intangible fixed assets

The item "Intangible fixed assets" amounted to €4,428,798 at 31 December 2020 (€3,915,787 at 31 December 2019).

The item "Start-up and expansion costs" equal to €2,767,701 (€2,679,746 as at 31 December 2019) includes costs with multi-year utility related to incorporation costs and start-up costs of new direct offices.

The item "Development costs" at the end of the year amounted to €20,000 (€40,000 at 31 December 2019) and is composed of development costs related to the launch of the project for the development of the franchise network throughout the country.

Industrial patent and intellectual property usage rights amounting to €326,638 (€113,717 as at 31 December 2019) refer to software usage rights.

The item "Assets under construction and payments on account" for €304,901 (€237,919 as at 31 December 2019) consists of costs incurred by the Parent Company for the creation and development of new software for the implementation of IT systems to improve corporate operations.

The item "Other intangible fixed assets" amounting to €771,123 (€605,417 as at 31 December 2019) includes at the end of the year the improvements on leased assets and the multi-year costs for the issuance of bond loans.

At 31 December 2020 there were no commitments relating to the intangible fixed assets held.

Introduction, changes in intangible fixed assets

The item Intangible fixed assets has a balance of €4,428,798 (€3,915,787 as at 31 December 2019). Below are the details of the changes in the items of intangible fixed assets.

Analysis of changes in intangible fixed assets (table)

	Start-up and expansion costs	Development costs	Industrial patent and intellectual property usage rights	Concessions, licenses, trademarks and similar rights	Goodwill	Assets under construction and payments on account	Other intangible fixed assets	Total intangible fixed assets
Value at year start								
Cost	3,853,476	278,978	546,471	2,304	236,684	237,919	1,077,730	6,233,562
Write-ups	-	-	-	-	-	-	-	-
Depreciation/amortisation (Accumulated depreciation/amortisation)	1,173,730	238,978	432,754	-	-	-	472,313	2,317,776
Write-downs	-	-	-	-	-	-	-	-
Book value	2,679,745	40,000	113,717	2,304	236,684	237,919	605,417	3,915,786
Changes during the year	-	-	-	-	-	-	-	-
Increases for purchases	826,926	-	260,392	5,562	-	66,982	298,165	1,458,028
Reclassification (of the book value)	- 2,602	-	-	- 2,304	-	-	- 324	- 5,230
Decreases for sale and disposals (of the book value)	-	-	-	-	-	-	-	-
Write-ups made during the year	-	-	-	-	-	-	-	-
Depreciation/amortisation for the year	725,338	20,000	47,471	553	-	-	131,039	924,401
Write-downs made during the year	-	-	-	-	-	-	-	-
Other changes	11,031	-	-	3,259	-	-	1,096	15,386
Total changes	47,854	20,000	212,921	8,269	-	66,982	169,235	485,260
Value at year end	-	-	-	-	-	-	-	-
Cost	4,677,800	278,978	806,863	5,562	236,684	304,901	1,375,571	7,686,360
Write-ups	-	-	-	-	-	-	-	-
Depreciation/amortisation (Accumulated depreciation/amortisation)	1,910,099	258,978	480,225	3,812	-	-	604,448	3,257,562
Write-downs	-	-	-	-	-	-	-	-
Book value	2,767,701	20,000	326,638	1,751	236,684	304,901	771,123	4,428,797

Comments, changes in intangible fixed assets

The item "Start-up and expansion costs" recorded an increase of €826,926 due to the opening of new areas in Italy and investments in open areas in France. The main increase for the year, amounting to €687 thousand, relates to the costs incurred in the design, opening, start-up and development phases of the new direct offices, in new territories and not adjacent to existing direct offices and operating in Italy and France. Note that since the previous year, in consideration of the business model reflected in the development plans and the implementation of more refined analyses in the context of management control of costs incurred for the opening of new direct offices, the Group has adopted a new policy (so-called "Policy for the onboarding of new direct offices") for the analysis and evaluation of the aforementioned costs.

Specifically, when opening new direct offices and also in the subsequent phase of increasing operational capacity, the Group's Business Plan underscores the need for an intense development of the commercial network, logistics and marketing and training and training courses, including in the form of on-the-job training.

The recoverability of such costs emerges from the Group's Business Plan upon reaching the Senior phase. Moreover, management prepares and periodically updates economic plans that show the Group's prospects for profitability and the ability to recover costs incurred in the start-up and development phases of new direct offices.

The item Development costs, amounting to €20,000 (€40,000 the previous year), includes the expenses incurred by the Parent Company for the launch of the project for the development of the franchise network throughout the country. During the year there were no increases in this item of the financial statements. The reduction in the net book value compared to the previous year is attributable to the amortisation charge for the year.

Industrial patent and intellectual property usage rights at the end of the year amounted to €326,638 (€113,717 the previous year) and is mainly composed of costs related to software programs developed internally. The increases for the year concern the expenses incurred for new features produced internally and connected to the administrative system 260,392.

The item Concessions, licences, trademarks and similar rights amounted to €1,751 at the end of the year (€2,304 the previous year). The decrease during the year was almost entirely due to an accounting reclassification of illuminated signs within tangible fixed assets.

The item Goodwill was recorded in the financial statements of Edac France S.a.S. against the acquisition of the assets acquired from the bankrupt company Etair Méditerranée S.a.S. following the agreement signed by the Parent Company with the Bankruptcy Court of Perpignan.

The increase in "Assets under construction" is attributable to the implementation of software projects during 2020. It consists of costs incurred by the Parent Company for the creation and development of new software for the implementation of IT systems to improve corporate operations.

The item "Other intangible fixed assets" recorded an increase of €298,165, mainly due to the residual costs incurred by the Parent Company for the consulting required for the issuance of the new bond loan amounting to €10 million and for obtaining the new loans for a total of €9 million. Note that the transaction costs incurred and settled as part of the issuance of the bond have been recognised according to the amortised cost criterion under "Bonds".

As anticipated in the paragraph "Measurement criteria", paragraphs 7 bis and 7 quinquies of art. 60 of Italian Law no. 126 of 13 October 2020 converting with amendments Decree-Law no. 104 of 14 August 2020 provide that "Parties that do not adopt international accounting principles, in the current year on the date of entry into force of this decree, may, also by way of exception to article 2426, first paragraph, number 2) of the Italian Civil Code, not apply up to 100 per cent of the annual depreciation/amortisation of the cost of tangible and intangible fixed assets, maintaining their book value, as resulting from the last regularly approved annual financial statements. The portion of amortisation/depreciation not made pursuant to this paragraph is allocated to the income statement for the following year and with the same criterion the subsequent portions are deferred, thus extending the original depreciation for this portion by one year.

Specifically, the Parent Company made use of the right not to make up to 100 per cent of the annual amortisation/depreciation as envisaged by the aforementioned regulation to reduce the negative economic effect produced by the COVID-19 pandemic in the first six months of the year. In fact, starting in March construction sites suffered abrupt slowdowns, and starting in April they were closed due to the "Close Italy" Decree. The following months saw little activity since the organisational machinery, both from a commercial and production point of view, once halted, required time to return to normal. In view of what has just been described, the criterion used to establish the amortisation/depreciation charge is that of the opening months. In the specific circumstance, assuming a closure of six months, the directors have chosen not to make 50% of the amortisation of all the intangible assets recorded in the financial statements.

The following table shows the effect of the suspension of amortisation of intangible fixed assets pursuant to art. 60 of Italian Law no. 126 of 13 October 2020, converting with amendments Decree-Law no. 104 of 14 August 2020:

Intangible fixed assets	Amortisation for the year (Reduction DL 104/2020)	Amortisation for the year (without reduction)	Effect on the Income Statement and Shareholders' Equity
B.1.1 Start-up and expansion costs	631,234	1,247,695	616,461
B.1.2 Development costs	20,000	40,000	20,000
B.1.3 Industrial patent and intellectual property usage rights	48,024	96,047	48,024
B.1.7 Other intangible fixed assets	81,330	158,351	77,021
Total	780,588	1,542,093	761,506

With regard to the influence on the representation of the equity and financial situation and the operating result for the year, note that the allocation of lower amortisation to the Parent Company's financial statements resulted in a higher profit of €761,506, which cannot be distributed and is allocated to a specific unavailable reserve of Shareholders' Equity of the same amount as reported in the paragraph "Allocation of the operating result (article 2427, paragraph 1, number 22-septies of the Italian Civil Code)".

Evaluation of the recoverability of investments.

When preparing the financial statements and in the presence of indicators of permanent impairment, the Group assesses the recoverability of the intangible assets held. From the analysis performed, no indicators of impairment loss emerged.

Introduction, tangible fixed assets

The item Tangible Fixed Assets, net of depreciation, amounts to €1,303,781 (€1,228,545 as at 31 December 2019). Ordinary depreciation, shown in the relevant table, was calculated on the basis of rates deemed representative of the residual possibility of use of the related tangible fixed assets. The rates applied are as follows:

- Plant and machinery 15%
- Instrumental industrial and commercial equipment 20.00%
- Other assets:
- Electronic office machines 20.00%
- Office furniture and fixtures 12.00%
- Motor vehicles 25.00%

Introduction, changes in tangible fixed assets

Below are the details of the changes in the items of tangible fixed assets: final balances as well as the total of the write-ups at year end.

Analysis of changes in tangible fixed assets (table)

	Land and buildings assets	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Assets under construction and payments on account	Total tangible fixed
Value at year start						
Cost	-	182,173	450,698	1,187,719	-	1,820,589
Write-ups	-	-	-	-	-	-
Depreciation/amortisation (Accumulated depreciation/amortisation)	-	31,889	28,074	532,080	-	592,044
Write-downs	-	-	-	-	-	-
Book value	-	150,283	422,624	655,638	-	1,228,545
Changes during the year	-	-	-	-	-	-
Increases for purchases	-	26,317	121,358	193,691	-	341,366
Reclassification (of the book value)	-	4,407	16,858	19,178	-	40,443
Decreases for sale and disposals (of the book value)	-	-	638	-	-	638
Write-ups made during the year	-	-	-	-	-	-
Depreciation/amortisation for the year	-	13,198	81,177	103,137	-	197,512
Write-downs made during the year	-	-	-	-	-	-
Other changes	-	3,147	4,072	20,632	-	27,852
Total changes	-	16,266	28,609	144,111	-	188,986
Value at year end	-	-	-	-	-	-
Cost	-	204,083	566,385	1,350,477	-	2,120,944
Write-ups	-	-	-	-	-	-
Depreciation/amortisation (Accumulated depreciation/amortisation)	-	48,234	101,324	667,605	-	817,163
Write-downs	-	-	-	-	-	-
Book value	-	155,849	465,060	682,872	-	1,303,781

Comments, changes in tangible fixed assets

The main increases for the year concerned:

- The purchase of illuminated signs used outside the "EdiliziAcrobatica Points", recorded under the item "Industrial and commercial equipment", for €28,609, net of the depreciation for the year.
- The purchase of furniture and furnishings for the points of sale opened during the year, recorded under the item "Other tangible fixed assets", for €144,112 net of the depreciation for the year.

The following table shows the effect of the suspension of amortisation of tangible fixed assets pursuant to art. 60 of Italian Law no. 126 of 13 October 2020, converting with amendments Decree-Law no. 104 of 14 August 2020:

Tangible fixed assets	Amortisation for the year (Reduction DL 104/2020)	Amortisation for the year (without reduction)	Effect on the Income Statement and Shareholders' Equity
B.II.2 Plant and machinery	13,198	26,395	13,198
B.II.3 Industrial and commercial equipment	979	1,959	979
B.II.4 Other assets	102,985	206,016	103,031
Total	117,162	234,371	117,208

With regard to the influence on the representation of the equity and financial situation and the operating result for the year, note that the allocation of lower depreciation resulted in a higher profit of €117,208, which cannot be distributed and is allocated to a specific unavailable reserve of Shareholders' Equity of the same amount as reported in the paragraph "Allocation of the operating result (article 2427, paragraph 1, number 22-septies of the Italian Civil Code)".

When preparing the financial statements and in the presence of indicators of permanent impairment, the Group assesses the recoverability of the intangible assets held. From the analysis performed, no indicators of impairment loss emerged.

Financial lease transactions (lessee) (table)

In accordance with the provisions of IAS 17, outstanding financial lease contracts have been reclassified using the following scheme:

- The cost of leased assets was entered under tangible assets under the item "Industrial and commercial equipment" and systematically depreciated on the basis of the estimated useful life. A financial debt to the lessor was entered in a matching entry.
- Any maximum fee paid initially is considered as an immediate repayment of the principal amount.
- The lease fees are accounted for in such a way as to separate the interest expense from the capital portion, which reduces the residual debt.

Table 1.3

	Amount
Total amount of financial lease assets at year end	128,352
Depreciation accrued during the year	47,278
Adjustments and write-backs attributable to the year	35,114
Current value of the lease payments not yet due at year end	114,046
Financial charges accruing in the year based on the effective interest rate	8,146

Introduction, current assets

Specific detailed tables have been prepared for the item in question and are presented on the following pages, highlighting the nature of the individual items and the relative changes during the period.

Introduction, inventories

Inventories consist of goods that contribute to the production of the services provided by the company, and more specifically consist of the equipment that each team of rope operators must be equipped with, such as harnesses, ropes and safety equipment and inventories of building materials used for the execution of the works.

At 31 December 2020 the value of inventories at a Group level consisted of €738,430 of building materials (€627,340 as at 31 December 2019) used for the execution of the works and €1,968,628 (€2,015,514 as at 31 December 2019) for equipment used by rope operators.

Analysis of changes in inventories (table)

	Raw, ancillary and consumable materials	Total inventories
Value at year start	2,642,854	2,642,854
Changes during the year	64,204	64,204
Value at year end	2,707,058	2,707,058

Comments, inventories

The value of the inventory remained substantially in line with the value of the previous year thanks to an improvement in the efficiency of the "Rope operator kit" and an optimisation of the management of the inventory of products used in building works.

Introduction, current assets: receivables

Trade receivables

Trade receivables amounted to €20,724,296 (€13,667,049 at 31 December 2019) and relate to receivables deriving from normal sales transactions only with customers. For the portion of receivables due from customers within the year equal to €12,253,396, the expected recovery of which takes place under normal commercial terms, the Group has not used the amortised cost method.

Note that the portion due beyond the following year equal to €8,470,901 relates to the discounts on the invoice granted by the Company to customers for the works carried out according to the rules of the transfer to third parties pursuant to art. 121 of the Relaunch Decree. At 31 December 2020, these receivables were reclassified to the item "Receivables from customers" as they had not yet been assigned by customers, and therefore the Company has not reclassified them to the item "Tax receivables". Please refer to the paragraph "Subsequent events" for details of the amounts that have been assigned after 31 December 2020.

These receivables were initially recognised at nominal value and subsequently discounted at the interest rate of 0.548% (BTP A 10 years as at 31 December 2020) in consideration of the fact that these receivables are transferable to the Tax Authority. The difference between the initial value of the receivable (€8,681,897) and the value of the discount (€210,997 thousand) was recorded in the income statement as a reduction of the item "Revenues from sales and services".

Trade receivables at 31 December 2020 are recorded net of a write-down provision set aside to adjust their value to that of presumed realisation. The provision for doubtful accounts at 31 December 2020 amounted to €1,321,115 (€567,181 the previous year). The write-down of receivables is generally considered adequate, including with respect to the trend of the recovery of disputed receivables through legal proceedings.

The breakdown and changes in write-downs are shown below:

The provision for doubtful accounts pursuant to article 106 of the Consolidated Law on Income Tax includes write-downs carried out on a flat-rate basis and in terms of total receivables recorded in the financial statements, within the limits envisaged by tax law.

Trade receivables, which are fully due within the year, relate to receivables deriving from normal sales transactions in the domestic market.

Table 1.4

	31.12.2019	Allocation	Uses	31.12.2020
Provision for doubtful accounts	567,181	753,934	-	1,321,115
Total	567,181	753,934	-	1,321,115

Tax receivables for Prepaid taxes

The item tax receivables includes amounts that are certain, determined and in some cases allocated deriving from receivables for which a right of realisation has arisen by way of reimbursement or compensation.

The item "Tax credits" mainly includes the following tax credits recorded in the annual financial statements of the Parent Company:

- Receivables for withholding taxes incurred for €1,923,427
- The tax credit for Research and Development pursuant to article 3 of Italian Decree Law no. 145 of 23/12/2013 carried out during 2018 for €728,815
- The IRES credit relating to the previous year for €127,626
- The Credit for training 4.0 pursuant to article 1, para. 46-56 of Italian Law no. 205 of 27/12/2017 carried out during 2018 for €163,386
- Art bonus credit Teatro Stabile di Genova pursuant to art. 17, para. 1 Art bonus of Italian Decree-Law no. 1809 of 17/10/2016 for €7,800

Value at year start	-	-	-	-	-	-	4,105,750	-	4,105,750
Changes during the year	-	-	-	-	-	-	5,138,654	-	5,138,654
Value at year end	-	-	-	-	-	-	9,244,404	-	9,244,404

Introduction, changes in cash and cash equivalents

The breakdown of this item is already provided in the balance sheet.

Note that the Group's cash and cash equivalents amounted to €8,241,967 (€5,715,766 as at 31 December 2019).

Note that the cash and cash equivalents of the various group companies are distributed between the Parent Company for €8,166,698 and Edac France

S.a.S. for €75,270.

Analysis of the changes in cash and cash equivalents (table)

Below is an analysis of the changes in cash and cash equivalents.

Table 1.7

	Bank deposits	Cash hand	Total cash and postal Cheques in and cash equivalents
Value at year start	5,696,160	19,606	5,715,766
Changes during the year	2,527,264	- 1,064	2,526,200
Value at year end	8,223,424	18,542	8,241,967

Comments, changes in cash and cash equivalents

The increase in "Cash and cash equivalents" derives from the difference between positive and negative cash flows. Specifically, the issuance of the new Bond, amounting to €10,000,000 net of the preliminary preparation costs, associated with the State's measures to help companies following the COVID emergency, allowed for a positive cash flow.

ACCRUED INCOME AND PREPAID EXPENSES

This item includes prepaid expenses of €682,175 due to insurance premiums, mortgage preliminary costs and rents. The biggest change is the sponsorship agreement with Torino football club.

Table 1.8

	Accrued income	Prepaid expenses	Total accrued income and prepaid expenses
Value at year start	-	123,060	123,060
Changes during the year		559,115	559,115
Value at year end	-	682,175	682,175

COMMENTS ON THE MAIN LIABILITY ITEMS

Introduction, explanatory notes – liabilities

With regard to the financial year just ended, the comments on the main items of shareholders' equity and liabilities are shown below.

Introduction, shareholders' equity

Introduction

The changes in the items comprising Shareholders' Equity for the last two financial years are provided below.

Changes in the Shareholders' Equity items

Table 1.9

	Capital	Share premium reserve	Legal reserve	Statutory reserves	Reserve for hedging transactions of expected financial flows	Miscellaneous other reserves	Retained earnings (losses)	Profit (loss) for the year	Negative reserve for treasury shares in portfolio	Total Group Shareholders' Equity	Minority interests in capital and reserves	Total Group and Minority Shareholders' Equity
Value at year start	792,424	6,255,986	154,506			116	3,190,216	1,093,450		11,486,698	47,068	11,533,766
Allocation of the previous year's result			3,979				1,089,471	(1,093,450)				
Allocation of dividends							(760,727)			(760,727)		(760,727)
Other uses											(47,068)	(47,068)
Other changes							(37,953)			(37,953)		(37,953)
Increases	10,826	424,383			(22,839)	4,273				416,643		416,643
Decreases												
Reclassifications												
Operating result								1,757,640		1,757,640		1,757,640
Value at year end	803,250	6,680,369	158,485		(22,839)	4,389	3,481,007	1,757,640		12,862,301		12,862,301

Below we comment on the main items comprising shareholders' equity and their changes.

SHARE CAPITAL

The share capital was fully subscribed and paid up as at 31 December 2020 and amounts to €803,250, represented by 8,032,498 ordinary shares. Compared to the previous year, the share capital increased by an amount equal to €10,826.

LEGAL RESERVE

The legal reserve of €158,486 increased compared to the previous year by €3,979 due to the allocation of profits for 2019 as per the shareholders' resolution of 26 August 2020 of the Parent Company.

SHARE PREMIUM RESERVE

The reserve recorded in the financial statements amounts to €6,680,369 and increased by €424,383 as a result of the exercise of the Warrants at 30 September 2020, for a total amount of €435,209, of which €10,826 was allocated to the increase in the share capital and the remaining portion was allocated to the share premium reserve.

PROFITS CARRIED FORWARD

This item, recorded for €3,481,007, includes the results of the Parent Company and its subsidiaries carried forward.

Reconciliation between the shareholders' equity and the net profit for the year of Edilziacrobatica S.p.A. with the shareholders' equity and the net result of the Consolidated Financial Statements.

The comparison between the composition of shareholders' equity indicated in the Parent Company's financial statements at 31 December 2020 and the corresponding values shown in the Consolidated Financial Statements at the same date is as follows.

Table 1.10

	EDAC S.p.A.	Consolidated Financial Statements
- Share Capital	803,250	803,250
- Share premium reserve	6,680,369	6,680,369
- Legal Reserve	158,485	158,485
- Other reserves, otherwise indicated	(18,450)	(18,450)
- Profits carried forward	3,773,926	3,481,007
- Net result for the year	2,293,612	1,757,640
Total	13,691,192	12,862,301

These differences can be explained as

follows: Table 1.11

	Shareholders' Equity	Net Result
EDAC S.p.A. FINANCIAL STATEMENTS	13,691,192	2,293,612
- Consolidation of EDAC France	(822,739)	(524,214)
- IAS 17	(6,152)	(11,758)
CONSOLIDATED FINANCIAL STATEMENTS	12,862,301	1,757,640
- Amounts attributable to minority shareholders	-	-
VALUES ATTRIBUTABLE TO THE GROUP	12,862,301	1,757,640

Introduction, information on the provisions for risks and charges

Introduction

At 31 December 2020 these amounted to €120,122 (€32,664 at 31 December 2019) and are composed as follows:

Analysis of the changes in provisions for risks and charges (table)

Table 1.13

	Provision for pensions and similar obligations	Provision for taxes, including deferred	Financial derivative liabilities	Other provisions	Total provisions for risks and charges
Value at year start	-	32,145		519	32,664
Changes during the year	-	-	-	-	-
Provision during the year	-	26,563	56,062	4,833	87,458
Uses in the year	-	-	-	-	-
Other changes	-	-	-	-	-
Total changes	-	26,563	56,062	4,833	87,458
Value at year end	-	58,708	56,062	5,352	120,122

Comments, information on the provisions for risks and charges

The provision reflects the portions recorded for the year, while the use represents the use of previous provisions for the purposes for which they were intended.

Introduction, information on employee severance indemnities

Employee severance indemnities equal to €1,663,193 (€1,126,476 at 31 December 2019), determined in accordance with the provisions of art. 2120 of the Italian Civil Code, saw the following changes:

Table 1.14

	31.12.2019-31.12.2020
Provision as at 31.12.2019	1,126,476
Allocated during the year	922,085
Disbursed	(385,368)
Provision as at 31.12.2020	1,663,193

Comments, information on employee severance indemnities

The provision represents the actual debt of the Company as at 31 December 2019 to its employees as of that date, net of any advance payments made.

Introduction, payables

The payables are valued at their nominal value.

Introduction, changes in and maturity of payables

Below we comment on the composition, maturity and changes during the year of the items that make up this grouping.

Table 1.15

	Bonds	Payables to banks	Payables to shareholders for loans	Payables to other lenders	Advances	Trade payables companies	Payables to parent	Taxes payable	Payables to social security institutions	Other payables	Total payables
Value at year start	5,000,000	7,328,657	250	155,990	1,287,242	5,375,549	70,423	1,459,216	1,368,972	1,741,697	23,787,996
Changes during the year	4,740,976	7,597,410	- 250	351,506	109,539	- 106,128	- 395	838,568	212,854	978,068	14,722,148
Values at year end	9,740,976	14,926,067	-	507,496	1,396,781	5,269,421	70,028	2,297,784	1,581,826	2,719,765	38,510,144
Portion due within the financial year	-	3,868,618	-	23,062	1,396,781	5,269,421	70,028	2,265,211	1,581,826	2,719,765	17,194,712
Portion due beyond the financial year	9,740,976	11,057,449	-	484,434	-	-	-	32,573	-	-	21,315,432
With residual duration exceeding five years	2,168,478	7,290,391	-	-	-	-	-	-	-	-	9,458,869

Comments, changes in and maturity of payables

The total amount of payables is reported under "liabilities" of the balance sheet, in class "D", for an amount of €38,510,544 (€23,787,996 at 31 December 2019). The new wording of article 2426 of the Italian Civil Code provides that receivables and payables must be recognised in the financial statements according to the amortised cost criterion, taking into account the time factor (and, with regard to receivables, the estimated realisable value). From a valuation of the payable items, the effect of the application of the amortised cost to the payables in the financial statements with respect to a valuation at nominal value was irrelevant.

Below we comment on the composition of the main items that make up this grouping.

Bonds

"Bond payables" consist of a bond loan issued by the Parent Company on 31 July 2020 for €10,000,000. The obligations are measured using the amortised cost method. Therefore, the Parent Company reduced the value of the bond issued by the transaction costs incurred by an amount of €259,024 thousand

On 31 July 2020, Ediliziacrobatica S.p.A. issued a €10 million bond underwritten by the Intesa Sanpaolo bank while simultaneously repaying the bond loans listed on the ExtraMOT Pro segment of Borsa Italiana for €5 million.

The main terms governing the Bond Loan are:

Interest: fixed rate (with six-monthly deferred coupon) equal to 3.30% (three point thirty per cent) on an annual basis;

Maturity/duration: 7 (seven) years from the date of issue

Repayment: on an amortised basis, with a pre-amortisation period of 2 (two) years.

The issue of the Bond Loan is aimed at the development of new markets through the strengthening of the business's commercial presence, continuation and consolidation of the international expansion, new business lines also through mergers & acquisitions of companies or individual business units, as well as the strengthening and/or rationalisation and/or improved efficiency

of both Italian and foreign production areas in order to strengthen the business's presence in the markets of reference and to develop working capital in relation to the revenue growth.

As at 31.12.2020, the Company verified that it had complied with the covenants envisaged in the agreement signed with Banca Intesa Sanpaolo.

Payables to banks

Payables due to banks comprise the

following: Table 1.17

	Balance 31.12.2020	Balance 31.12.2019
Advances on invoices	654,145	4,540,001
Credit cards	7,429	10,534
Financing	14,264,493	2,778,121
Total	14,926,067	7,328,656

The item "Advances on invoices" for €654,145 relates to the use of ordinary loans granted by the various Credit Institutions of the Parent Company. Note that the uses fall largely within the limits of the loans granted.

Below is the breakdown of payables to banks due within the year and due beyond the year.

Table 1.18

	Balance at 31.12.2020	Balance at 31.12.2019
Due within the year	3,868,618	6,485,405
Due beyond the next year	11,057,449	843,252
Total	14,926,067	7,328,657

The breakdown of the timing of the main loans with portions due within and beyond the year is presented

below: Table 1.19

	within the year	beyond the year
UNICREDIT LOAN 7697470	35,287	113,208
Intesa loan (January 2018)	188,295	506,899
Credem loan November 2018	75,046	100,826
Unicredit loan May 2019	308,731	-
Credem Loan July 2019	100,199	33,286
Ubi Banca loan January 2020	333,100	166,900
Carige loan February 2020	374,160	375,840
Intesa loan January 2020	249,743	250,257
Bpm loan June 2020	876,329	3,123,671
Deutsche Bank loan July 2020	123,414	1,876,586
Intesa loan September 2020	500,000	4,500,000
Bank mortgage loans	4,473	9,976
BCC LOAN	19,718	
SPA advances	661,573	-
Advances other companies	18,548	-
Total	3,868,617	11,057,450

Payables to other lenders

Payables to other lenders consist of a loan for a company car and lease payments.

Advances

The item "Advances", amounting to €1,396,781 (€1,287,242 for the previous year), comprises all advances received from customers for supplies of goods and services not yet rendered.

The most significant amounts relate to advances received from the Parent Company's customers for €1,310,914.

Trade payables

"Trade payables" relate to commercial transactions with normal payment terms, all with a maturity within one year.

Taxes payable

The item "Tax payables", amounting to €2,297,784 (€1,459,216 the previous year), mainly relates to the current tax payables for the year, net of the advances for the months of June and November, amounting to €1,187,387 for the Group companies, to the VAT payables for the Group companies for €744,022, to the debt of the Parent Company for taxes paid in instalments or in the process of being settled for €97,717 and to payables for withholdings for employees and self-employed for €249,312.

This item breaks down as follows:

Table 1.21

	Balance at 31.12.2020
Income taxes and lesser taxes	1,311,219
VAT payables	744,022
Tax withholdings on employees	224,816
Withholdings on self-employment	17,727
Total	2,297,784

The breakdown of the timing of the tax payables is as follows:

Table 1.22

	Balance at 31.12.2020
Due within the year	2,265,211
Due beyond the next year	32,573
Total	2,297,784

Payables to social security institutions

This item refers to payables to the social security institutions of the Parent Company for €1,354,225 and to the subsidiary Edac France S.a.s. for €227,601. Specifically, payables are mainly owed to pension institutions and reimbursed during the first few months of 2021.

Other payables

The item "Other payables", equal to €2,719,765, mainly consists of payables to employees for the salaries for the month of December duly paid in January 2021 for €1,414,461, payables to employees for deferred pay for €582,296 and payables of the Parent Company for €85,000 to Shareholders for profits to be paid.

The composition of the item is shown below:

Table 1.23

	Balance at 31.12.2020	Balance at 31.12.2019
Payables due to personnel	2,000,862	1,415,152
Payables to shareholders for profits to be paid	85,000	85,000
Payables to franchises	21,402	88,942
Other sundry payables	612,501	152,603
Total	2,719,766	1,741,697

Introduction, information on accrued expenses and deferred income

In accordance with art. 2424 bis, paragraph 6, of the Italian Civil Code, in the case of costs pertaining to the year due in subsequent years and income received by the end of the year but pertaining to subsequent years.

Comments, information on accrued expenses and deferred income

At 31 December 2019, the item accrued expenses and deferred income, amounting to €296,275, mainly related to deferred income for €235,002 recorded following the receipt of authorisation from MISE and the Revenue Agency for registration in the financial statements and the offsetting of the tax credit for IPO accrued against the support of consultancy costs for listing on the stock exchange. The contribution of €391,670 was paid in 5 years in line with the amortisation period of the consultancy costs to which it refers.

Introduction, explanatory notes to the income statement

Before proceeding with the analysis of the individual items, please note that in accordance with art. 2428, paragraph 1, of the Italian Civil Code the comments on the general trend of costs and revenues are presented in the management report.

Introduction, value of production

The value of production is €46,168,759 (€41,755,237 at 31 December 2019).

Revenues at 31 December 2020 amounted to €44,664,415 (€39,224,623 at 31 December 2019) and pertain to the provision of services related to the operations recognised, net of returns, discounts, allowances and premiums, as well as the taxes directly related to the sale of products and the provision of services.

The item A4) "Increases in fixed assets for internal works" includes capitalised costs that have generated increases in assets in the balance sheet under the item "Assets under construction and payments on account" recorded for €829,457 among intangible assets. For details of the increases, see the comment on the item "Assets under construction and payments on account".

The item A5) "Other revenues and income" includes operating grants recorded under the item "Operating grants" for €280,461 and other revenues recorded under the item "Others" for €394,426.

Breakdown of revenues from sales and services by category of activity

Introduction

The breakdown of the value of production by category of activity is shown below, net of the increase in fixed assets for internal works:

Table 1.24

<i>Values in thousand euros</i>	Balance at	Balance at
	31.12.2020	31.12.2019
Revenues from direct operating sites	41,990	33,784
Revenue from franchised operating sites	2,674	5,440
Operating grants	280	-
Other minor operating income	394	448
Increases in fixed assets for internal works	829	2,083
Total	46,169	41,755

Comments

At 31 December 2020, the item "Revenues from sales and services" includes revenues deriving from production carried out in construction sites for €44,664 thousand (in 2019 for €33,784 thousand). This increase is due both to the opening of new direct operating areas and to the further development in terms of sales and production of those already present. At the end of the year there were 59 production areas. The increase in royalties is due to the increase in the production volume of the areas managed by the franchisees. This also led to an increase in sales of materials to them.

COSTS OF PRODUCTION

Costs and charges under class B of the Income statement, equal to €43,023,237 (€39,434,804 as at 31 December 2019), classified by nature, were indicated net of returns, commercial discounts, rebates and premiums, while financial discounts were recognised under item C.16, as they constitute financial income. The costs for purchase of goods also include ancillary purchase costs (transport, insurance, loading and unloading, etc.) if the supplier included them in the purchase cost of materials. Otherwise, these costs were recorded under costs for services (item B.7). VAT that cannot be recovered was included in the purchase cost of the goods. Items B.6, B.7 and B.8 do not only include the costs of a certain amount resulting from invoices received from suppliers, but also those of an estimated amount not yet documented, for which specific checks have been carried out. Note that, since the criterion of classification of costs "by nature" must prevail, allocations to provisions.

COSTS OF RAW, ANCILLARY AND CONSUMABLE MATERIALS

Costs for raw, ancillary and consumable materials amount to €5,409,372 (€5,786,364 in the previous year). This item consists mainly of costs for purchases of harnesses, equipment and materials for teams.

COSTS FOR SERVICES

Costs for services are shown for an amount equal to €10,725,047 (€8,859,987 the previous year). This item mainly consists of consultancy costs relating to administrative staff (€622,560), commercial consultancy costs (€2,391,968), costs for the service of temporary staff (€284,136), reimbursement of expenses of workers, contractors and coordinators (€1,443,748), labour costs at the construction sites (€95,643), waste disposal costs (€212,368), insurance costs (€204,892), fuel costs (€459,130), representation and advertising costs (€688,822) and expenses for utilities (€199,727).

COSTS FOR USE OF LEASED ASSETS

Item B8) includes €2,765,537 (€2,247,514 as at 31 December 2019), the costs for the use of tangible leased assets. This item mainly includes the rent for the buildings of the direct operating offices for €1,029,986, the rent for software licenses for €260,000, lease rent for €30,345, vehicle rent for €902,601, rental of construction and office equipment for €217,314 and €125,651, other rent for €72,126.

PERSONNEL COSTS

The item personnel cost is recorded in the production costs of the income statement for a total of €21,267,848 (€19,901,076 at 31 December 2019). The breakdown of these costs is already provided in the income statement.

The item includes all personnel costs, including merit increases, automatic cost-of-living increases, the cost of holidays not taken and provisions required by law and collective bargaining agreements. Furthermore, the item "Other costs" includes the cost for temporary work equal to €50,144.

The details of the number of employees by category are shown below.

AMORTISATION, DEPRECIATION AND WRITE-DOWNS

The breakdown into the four sub-items required is already presented in the income statement.

Item B10d) "Write-downs of receivables included in the current assets and cash and cash equivalents", includes €728,134 and write-downs of trade receivables from customers recorded in current assets.

CHANGE IN INVENTORIES OF RAW AND ANCILLARY MATERIALS, CONSUMABLES AND GOODS

The change in consolidated inventories of the Group amounted to €285,928, of which €269,235 only referred to the Parent Company as a result of the increase in the "Rope Operator Kit" and the construction inventory.

OTHER OPERATING CHARGES

The item "Other operating charges" has a balance of €1,054,881 (€1,152,844 for the same period of the previous year) and is mostly composed of €1,037,715, recorded in the Parent Company's financial statements, relating to €639,790 of contingent liabilities, for €100,000 relating to sanctions, penalties and fines mainly attributable to Edilziacrobatica S.p.A. and €63,125 relating to entertainment expenses.

INTEREST AND OTHER FINANCIAL CHARGES

Income other than the above

This item includes interest income deriving from interest related to payment concessions deferred over time to some customers of the Parent Company for €41,330.

Interest and other financial charges

This item, amounting to €432,664 (€386,993 as at 31 December 2019), mainly includes charges relating to interest expense accrued on the bond loan and loans recorded under the item "payables to banks".

Following are the details of the main items of interest.

Table 1.28

	31.12.2020
Bank interest expense	55,173
Interest expense on bond loans	305,854
Interest expense on loans	17,039
Interest on loans of other lenders	5,230
Others	49,368
Total	432,664

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

The item write-ups of securities included under current assets that do not constitute equity investments consists of €87,233 for the write-up of the value of the item "Other securities" entered under Current Assets.

Table 1.29

	Balance at 31.12.2020
from securities classified under fixed assets not representing equity investments	-
from securities included under current assets not constituting equity investments	90,654
Total	-

INCOME TAXES FOR THE YEAR

Taxes were calculated based on current tax legislation and represent the amount of taxes for the year to which the financial statements refer. These amounted to €1,087,201 (€944,012 as at 31 December 2019) and are composed as follows:

- a) Current taxes on taxable income for the year
- b) Deferred and prepaid taxes
- c) Current taxes relating to prior years

The item "taxes" includes current, prepaid and deferred taxes and taxes relating to previous years. Below are the Parent Company's tax details.

Table 1.30

	31.12.2020
IRAP	463,647
IRES	1,026,564
Deferred and prepaid taxes	-145,878
Taxes relating to prior years	-265,169
Total	1,079,164

Note that the amounts of IRAP and IRES reported in the table above are inclusive of the tax charges of the Companies that were merged on 16 November 2020.

The theoretical rate determined on the basis of the configuration of taxable income for the purposes of IRES tax is 24%. The reconciliation with the actual rate is shown below:

Table 1.31

ACTUAL IRES RECONCILIATION	
Pre-tax profit/loss	3,372,776
Theoretical tax liability (%)	24%
Theoretical IRES	809,466
Permanent differences	562,963
Temporary differences	705,934
Losses prior to the merger	(407,239)
Taxable income	4,234,434
Actual IRES	1,016,264
Actual tax charge (%)	30%

The theoretical rate determined on the basis of the configuration of taxable income for the purposes of IRAP tax is 3.9%. The reconciliation with the actual rate is shown below:

Table 1.32

ACTUAL IRAP RECONCILIATION	
Pre-tax profit/loss	3,372,776
Irrelevant costs	20,286,300
Theoretical value of production	23,659,076
Theoretical tax liability (%)	3.9%
Theoretical IRAP	922,704
Permanent differences	(12,166,629)
Temporary differences	(160,067)
Value of production	11,332,380
Actual IRAP	460,947
Actual tax charge (%)	1.95%

Introduction. explanatory notes – other information

Introduction. employment figures

The average number of employees in 2019 by category was as follows.

Average number of employees broken down by category (table)

Table 1.33

	Senior executives	Middle managers	White-collar workers	Blue-collar workers	Other employees	Total Employees
Average number	-	14	123	435	-	572

Introduction. remuneration of directors and statutory auditors

In 2020, compensation was paid to the Directors and statutory auditors of the Parent Company for €564,803, broken down as follows:

- €520,684 to the directors
- €44,119 to the statutory auditors

Introduction. statutory auditor or auditing firm fees

The total fee for the statutory audit of the financial statements as at 31/12/2020 is €38 thousand, corresponding to the total amount of fees due to the statutory auditors for the statutory audit of the annual accounts of Ediliziacrobatica S.p.A.

Table 1.34

Statutory audit of the annual accounts	Other supplementary services
18,000	5,000

Introduction. securities issued by the company

On 19 November 2018 the company was listed on the AIM segment of Borsa Italiana. In the listing process, the company issued 7,449,850 ordinary shares, 149,850 Greenshoe Options and placed 431,325 Warrants (1 for every 4 shares).

The admission to listing took place following a placement of 1,725,300 ordinary shares, all newly issued, for a value of €5,720,301, of which:

- 1,499,850 ordinary shares resulting from the capital increase reserved for the market
- 75,600 ordinary shares resulting from the capital increase reserved for employees and directors
- 149,850 ordinary shares, corresponding to approximately 8.7% of the offer, resulting from the greenshoe capital increase

On 30 September 2020, based on the provisions of the "Warrant EDAC 2018-2021" regulation, at the maturity of the exercise period, 108,261 warrants were exercised, therefore 108,261 shares were issued for a total amount of €435,209.22. The new share capital of EDAC amounts to €803,249.80, divided into 8,032,498 ordinary shares, all without nominal value.

Following the exercise of the warrants, the float amounts to 22.43% and the Company's share capital is represented by 8,032,498 shares held as follows:

Shareholders	Number of shares	Percentage of Share Capital
Arim Holding S.r.l.	6,061,386	77%
Employees and directors	75,600	1%
Market	1,895,512	22%
Total Shares	8,032,498	100%

Analysis of the securities issued by the company (table)

Table 1.35

Shares with dividend rights	Convertible bonds	Warrants	Options	Other securities or similar values
Number	-	124,124	-	-
Rights attributed	-	-	-	-

Disclosure on derivative instruments pursuant to art. 2427-bis of the Italian Civil Code

The detailed information required by article 2427 bis, paragraph 1, no.1 of the Italian Civil Code is presented as follows.

Note that the Company has two derivative contracts to hedge interest rate risk. The details are as follows. Changes in fair value reserves during the year are shown in the table in the Shareholders' Equity section.

Description	Fair value current year	Change in IS	Change in SE	Residual reference amount
Deutsche Bank Interest Rate Swap – year 2020	33,224	-	33224	2,000,000
BPM Interest Rate Swap – year 2020	- 56,062	-	-56062	4,000,000

DISCLOSURE ON RELATIONS WITH RELATED PARTIES

Pursuant to art. 2427, paragraph 1, no. 22-bis of the Italian Civil Code, it was decided to highlight information relating to transactions with related parties, even if these were concluded under market conditions, in the disclosure contained in the Management Report.

The following table shows the equity and economic relationships with related parties during the year ended 31 December 2018:

Table 1.36

	Receivables	Revenues	Payables	Costs
Edac I-Profile Srl	114	-	95,914	24,249
Ediliziacrobatica Italia Srl	-	-	81,036	511,954

COMMITMENTS, GUARANTEES AND POTENTIAL LIABILITIES NOT SHOWN IN THE BALANCE SHEET

Following the amendments made to the financial statements by Italian Legislative Decree 139/2015 from 2016, the memorandum accounts at the bottom of the Balance sheet must no longer be included. Any commitments, guarantees and potential liabilities not shown in the Balance Sheet are therefore described in this specific point of the Report.

At the balance sheet date there are no commitments, guarantees or potential liabilities to be disclosed for the Group.

DISCLOSURE OF ASSETS AND FINANCING FOR A SPECIFIC DEAL

Assets allocated to a specific deal

It is certified that as of year end there were no assets allocated to a specific deal, as per no. 20 of art. 2427 of the Italian Civil Code.

Loans allocated to a specific deal

It is certified that as of year end there were no loans allocated to a specific deal, as per no. 21 of art. 2427 of the Italian Civil Code.

DISCLOSURE OF OFF-BALANCE SHEET AGREEMENTS

During the year no off-balance sheet agreements were stipulated.

OTHER INFORMATION

Allocation of the Parent Company's operating result (article 2427, paragraph 1, number 22-septies, of the Italian Civil Code)

The Board of Directors proposes to allocate the operating profit of €2,293,612 as follows:

- Allocate an amount equal to €2,165.0 to increase the Legal Reserve, which in this way will reach the limit established by law
- Allocate to retained earnings €127,579.30
- Allocate to a specific "Reserve for suspended amortisation/depreciation pursuant to paragraph 7-quater, art. 60 of Law no. 126 of 13.10.2020" €878,667.80 following the application of the right to suspend the annual depreciation/amortisation of tangible and intangible fixed assets (article 60 of Italian Law no. 126 of 13 October 2020, converting with amendments Decree-Law no. 104 of 14 August 2020)
- Distribute dividends for €1,285,199.68, allocating a dividend of €0.16 per share

Disclosure pursuant to art. 1, paragraph 125, of Italian Law no. 124 of 4 August 2017

Law no. 124/2017 provides for the obligation to provide information relating to grants, contributions, paid assignments and economic benefits of any kind received from Italian public administrations. In this regard, note that during 2020 EdiliziAcrobatica S.p.A. received no form of subsidy, contribution, paid assignment or other economic benefit from Italian public administrations. Note that the revenues:

- Generated by services provided to subjects belonging to public administrations as part of the normal operations of the company and regulated by contracts for services, as well as
 - Tax concessions accessible to all companies that meet certain conditions on the basis of predetermined general criteria, which are also the subject of specific declarations (see CNDCEC document of March 2019)
- are not considered relevant for the purposes of the disclosure obligations envisaged by

Italian Law no. 124/2017. In accordance with art. 2427 of the Italian Civil Code, it is also

specified that:

- No financial charges were attributed to the values recorded in the balance sheet assets.

Genoa, 29 March 2021

(Director)

For the Board of Directors

Riccardo Iovino

