

## Company General Information

### Anagraphical Data

Name: C.M.D. COSTRUZIONI MOTORI DIESEL S.P.A.  
Legal Headquarters: Valle di Vitalba Industrial Area ATELLA PZ  
Capital share: 16.829.887,00  
Capital Entirely Invested: Yes  
Chamber of Commerce Code: PZ  
VAT Number: 03326801218  
Fiscal Code (National Insurance) Number: 05913290630  
REA (Economic and Administrative Index) Number: 78972  
Legal Status: SHARE HOLDER COMPANY  
Main Activity Code (ATECO): 256200  
Bankruptcy Proceedings: No  
Sole Share hold Company: No  
Company subject to third-party management/co-ordination: No  
Name of Company: N/A  
Part of a Group: No  
Name of Group Head:  
Group Head Nationality:  
Cooperative Enrolment Number:

# Financial Statements as at 31/12/2020

## Balance Sheet

	31/12/2020	31/12/2019
<b>Assets</b>		
<b>B) Fixed Assets</b>		
I - Intangible fixed assets	-	-
1) Incorporation and subsequent expenses	132.412	112.412
2) Development costs	14.075.764	8.422.095
3) Industrial patent and intellectual property rights	550.977	321.384
4) Concessions, licenses, trademarks and similar rights	247.676	199.514
7) Other	12.878	7.967
<i>Total Intangible fixed assets</i>	<i>15.019.707</i>	<i>9.063.372</i>

	31/12/2020	31/12/2019
II - Tangible fixed assets	-	-
1) Land and buildings	11.379.575	13.898.769
2) Plant and machinery	16.741.065	15.032.313
3) Production and commercial equipment	6.980.351	6.403.238
4) Other	467.290	539.179
5) Tangible in progress and payments on accounts	11.981.060	3.544.116
<i>Total Tangible fixed assets</i>	<i>47.549.341</i>	<i>39.417.615</i>
III - Financial fixed assets	-	-
1) investments in	-	-
d) other	15.950	15.950
<i>Total investments</i>	<i>15.950</i>	<i>15.950</i>
3) other	129.489	29.489
<i>Total Financial fixed assets</i>	<i>145.439</i>	<i>45.439</i>
<i>Total Assets (B)</i>	<i>62.714.487</i>	<i>48.526.426</i>
<b>C) Current Assets</b>		
I - Inventories	-	-
1) Raw materials, ancillary materials and consumables	9.204.526	7.684.483
2) Work in progress and semi finished goods	412.549	438.417
4) Finished goods and goods for resale	5.844.231	7.363.132
5) Payments on accounts	1.510.475	1.275.902
<i>Total Inventories</i>	<i>16.971.781</i>	<i>16.761.934</i>
Tangible fixed assets for sale	1.380.530	
II – Receivables	-	-
1) trade	10.315.881	11.998.924
due within 12 months	10.315.881	11.998.924
due after 12 months	-	-
4) Parent company	1.373.744	323.744
due within 12 months	1.373.744	323.744
due after 12 months	-	-
5-bis) Tax Credit	3.082.226	2.011.576
due within 12 months	1.845.903	2.011.576
due after 12 months	1.007.189	-
5- ter) Prepaid taxes	1.236.323	986.226
5-quarter) Other	11.205.280	8.259.232

	31/12/2020	31/12/2019
Due within 12 months	11.205.280	8.259.232
Due after 12 months	-	-
<b>IV - Cash at Bank and on hand</b>	<b>27.735.094</b>	<b>23.579.702</b>
1) Bank and post office deposits	-	-
3) Cash and valuables on hand	5.594.772	14.908.826
<i>Total Cash at Bank and on hand</i>	<i>499</i>	<i>2.528</i>
<i>Total Current Assets (C)</i>	<i>5.595.271</i>	<i>14.911.354</i>
IV - Cash at Bank and on hand	51.682.676	55.252.990
<b>D) Prepaied Expenses and Accrued Income</b>	<b>922.073</b>	<b>1.169.803</b>
<i>Total Assets</i>	<i>115.319.236</i>	<i>104.949.219</i>
<b>Liabilities and Shareholders' Equity</b>	<b>43.660.964</b>	<b>42.001.005</b>
A) Shareholders' Equity	16.829.887	16.829.887
I - Share premium reserve	11.872.768	11.872.768
IV - Legal reserve	601.780	573.911
V - Statutory reserves	34.623	34.623
VI - Other reserves	-	-
Revaluation reserves for Investments	1.490.730	1.490.730
Payments for capital increase	11.171.213	10.641.698
<i>Total Other reserves</i>	<i>12.661.943</i>	<i>12.132.428</i>
VII - Reserve for hedging of expected cash flows	(63.866)	-
IX - Net income (loss) for the accounting period	1.723.829	557.388
<i>Total Shareholders' Equity</i>	<i>43.660.964</i>	<i>42.001.005</i>
<b>B) Funds for risk and charges</b>		
2) Deferred tax liabilities	837.230	-
3) liabilities derivative financial instruments	63.866	-
<i>Total Funds for risk and charges</i>	<i>901.096</i>	<i>-</i>
<b>C) Fund for employee termination indemnity</b>	<b>406.427</b>	<b>406.901</b>
<b>D) Payables</b>		
1) Bond	5.984.000	5.984.000
due within one year	5.984.000	1.584.000
due after one year	-	4.400.000
3) Payables to shareholders	5.634.681	1.881.000
due within one year	-	-

	31/12/2020	31/12/2019
due after one year	5.634.681	1.881.000
<b>4) Banks</b>	<b>25.384.388</b>	<b>17.370.202</b>
due within one year	2.812.477	4.484.049
due after one year	22.571.911	12.886.153
<b>5) Other financiers</b>	<b>3.322.652</b>	<b>6.249.389</b>
due within one year	3.316.705	6.214.655
due after one year	5.947	34.734
<b>6) Advances</b>	<b>1.510.079</b>	<b>278.562</b>
due within one year	1.510.079	278.562
due after one year	-	-
<b>7) Trade payables</b>	<b>8.886.479</b>	<b>12.714.413</b>
due within one year	8.886.479	12.714.413
due after one year	-	-
<b>11) Parent company</b>	<b>390.000</b>	<b>390.000</b>
due within one year	390.000	390.000
due after one year	-	-
<b>12) Taxes</b>	<b>4.329.480</b>	<b>4.633.188</b>
due within one year	1.397.862	1.228.691
due after one year	2.931.618	3.404.497
<b>13) Provident and social security institutions</b>	<b>447.429</b>	<b>553.381</b>
due within one year	447.429	540.691
due after one year	-	12.690
<b>14) Others</b>	<b>1.143.027</b>	<b>1.037.985</b>
due within one year	1.143.027	1.037.985
due after one year	-	-
<b>Totale Payables</b>	<b>57.032.215</b>	<b>51.092.120</b>
<b>E) Accrued Expenses and Deferred Income</b>	<b>13.318.534</b>	<b>11.449.193</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>115.319.236</b>	<b>104.949.219</b>

## Income Statement

	31/12/2020	31/12/2019
<b>A) Value of Production</b>		
1) Revenues from the sale of goods and services	20.505.242	32.037.132
2) Change in semi finished goods and finished goods	(2.269.268)	2.524.280
4) Increase in fixed assets for internal work	3.088.328	3.119.850
5) Other revenues and income	-	-
Grant in exercise	49.336	38.837
Other	4.349.600	3.042.435
<i>Total Other revenues and income</i>	<i>4.398.936</i>	<i>3.081.272</i>
<i>Total Value of Production</i>	<i>25.723.238</i>	<i>40.762.534</i>
<b>B) Cost of Production</b>		
6) Raw materials, ancillary materials and consumables	10.470.295	19.562.803
7) Service costs	3.129.441	4.443.526
8) Expenses related to the use of third party assets	349.412	429.276
9) Personnel	-	-
a) salaries and wages	5.286.546	6.654.197
b) social contributions	1.102.291	1.391.306
c) employee termination indemnities	292.897	279.194
d) severance and similar charges	-	1.600
e) other	24.428	14.873
<i>Total Personnel</i>	<i>6.706.162</i>	<i>8.341.170</i>
10) Depreciation and write down	-	-
a) amortization of intangibles fixed assets	-	3.449.808
b) depreciation of tangibles fixed assets	-	2.426.938
c) write down of intangibles and tangibles fixed assets	1.233.646	-
d) write down of receivables included in current assets and of liquid funds	824.832	-
<i>Total Depreciation and write down</i>	<i>2.058.478</i>	<i>5.876.746</i>
11) Change in raw materials, ancillary materials, consumables and goods for sale	(1.520.042)	(698.782)
14) Other operating expenses	1.206.097	794.842
<i>Total Cost of Production</i>	<i>22.399.843</i>	<i>38.749.581</i>
<i>Earning before interest and taxes (EBIT) (A - B)</i>	<i>3.323.395</i>	<i>2.012.953</i>
<b>C) FINANCIAL INCOME AND EXPENSES</b>		
16) Other financial income	-	-

	31/12/2020	31/12/2019
	-	-
d) others	16.921	18.568
<i>Total Other financial income</i>	16.921	18.568
<i>17) Interest and other financial charges</i>	16.921	18.568
<i>Others</i>	-	-
Total Interest and other financial charges	945.074	1.114.277
17-bis) towards subsidiaries	945.074	1.114.277
Total Interest and other financial charges (15+16-17+-17-bis)	2.830	-
<i>Totale Financial income and expenses (15+16-17+-17-bis)</i>	(925.323)	(1.095.709)
<b>RESULT BEFORE TAXES (A-B+C+-D+-E)</b>	<b>2.398.072</b>	<b>917.244</b>
<b>22) Income taxes</b>		
current	69.562	105.839
Last years	539.188	712.157
prepaid	65.493	(458.140)
<i>Total Income taxes</i>	674.243	359.856
<b>23) Profit (loss) for the accounting period</b>	<b>1.723.829</b>	<b>557.388</b>

## Financial Statements - Indirect Method

	Importo al 31/12/2020	Importo al 31/12/2019
<b>A) Cash Flow from Operating Activities (indirect method)</b>		
PROFIT (LOSS) FOR THE ACCOUNTING PERIOD	1.723.829	557.388
Income taxes	674.243	359.856
Interest and other financial charges/income	925.323	1.095.709
Gains) / Losses from the sale of assets		1.240
<b>Earning before interest and taxes (EBIT)</b>	<b>3.323.395</b>	<b>2.014.193</b>
Adjustment on "no cash" elements that hadn't effects on Working Capital		
Provisions	5.018	6.451
Amortization of fixed assets		5.876.746
Write-downs for impairment losses	1.233.646	
<i>Total adjustment on "no cash" elements that hadn't effects on Working Capital</i>		
<b>2) Cash Flow before Working Capital Variations</b>	<b>4.562.059</b>	<b>7.897.390</b>
Working Capital Variations		
Decrease/(Increase) Inventory	(209.847)	(5.857.252)
Decrease/(Increase) Trade receivables	2.507.875	5.461.231
Increase/(Decrease)Trade payables	(3.827.934)	3.225.059
Decrease/(Increase)Prepaied Expenses and Accrued Income	247.730	(257.299)
Increase/(Decrease) Accrued Expenses and Deferred Income	1.869.340	2.578.840
Other decreases/(Other Increases) in net working capital	(5.390.971)	(2.070.146)
<i>Total Working Capital Variations</i>	<i>(4.803.807)</i>	<i>3.080.433</i>
<b>3) Cash Flow after Working Capital Variations</b>	<b>(241.748)</b>	<b>10.977.823</b>
Other Adjustment		
Interest inflow/(outflow)	(925.323)	(1.095.709)
(Use of Funds)	(5.492)	(28.546)
<i>Total Other Adjustment</i>	<i>(930.815)</i>	<i>(1.124.255)</i>
<b>Cash Flow Operating Activities (A)</b>	<b>(1.172.563)</b>	<b>9.853.568</b>
<b>B) Cash Flow from Investments Activities</b>		
Tangible fixed assets		
(Investments)	(9.365.374)	(4.173.074)
Intangible fixed assets		

	Importo al 31/12/2020	Importo al 31/12/2019
(Investments)	(5.956.335)	(6.361.796)
Financial fixed assets		
(Investments)	(100.000)	
Disposal		9.016
<b>Cash Flow from Investments Activities (B)</b>	<b>(15.421.709)</b>	<b>(10.525.854)</b>
<b>C) Cash Flow from Financial Activities</b>		
Financial Debts		
Increase/(Decrease) Current bank debts (short terms)	(1.671.570)	925.787
New Bank loans	15.409.342	16.718.872
(Bank Loan payments)	(6.459.583)	(5.178.309)
<b>Cash Flow from Financial Activities ( C )</b>	<b>7.278.189</b>	<b>12.466.350</b>
<b>Increase (decrease) Cash and cash equivalents (A ± B ± C)</b>	<b>(9.316.083)</b>	<b>11.794.064</b>
Cash and cash equivalents at the beginning of the period		
Bank and post office deposits	14.908.826	3.116.956
Cash and valuables on hand	2.528	334
Total Cash and cash equivalents at the beginning of the period	14.911.354	3.117.290
Cash and cash equivalents at the end of the period		
Bank and post office deposits	5.594.772	14.908.826
Cash and valuables on hand	499	2.528
Total Cash and cash equivalents at the end of the period	5.595.271	14.911.354
Difference in quadrature		

## Footnotes to the financial statements

For further information, please refer to the paragraph of this document intended for it.

## Notes to the financial statements, introduction

Dear Shareholders, this note represents the integral part of the financial statements as at 31/12/2020.

Preliminarily, as pleonastic as it may seem, we represent that the closing exercise was characterized by the outbreak of the pandemic by COVID, which is still ongoing.

The Financial Statements is in accordance with the provisions of Articles 2423 and following of the Italian Civil Code and the national accounting principles as published by the Italian Accounting Body; it therefore clearly and truthfully and correctly represents the financial position of the company and its profit or loss.

The content of the balance sheet and profit and loss account is that provided for in Articles 2424 and 2425 of the Italian Civil Code, while the financial statement has been drawn up pursuant to art. 2425-ter.

The notes, drawn up pursuant to art. 2427 of the Italian Civil Code, also contains all relevant information to provide a correct interpretation of the budget.

According to art. 27 c.3-bis of D.Lgs. 127/91 the company C.M.D. COSTRUZIONI MOTORI DIESEL S.P.A. is exempt from the obligation to draw up consolidated financial statements because it controls only companies that, individually or in their entirety, are irrelevant to the true and fair representation of the assets, liabilities, financial position and economic position of the consolidated financial statements.

### **Financial Statements Drafting Criteria**

Informations included in this document are reported according to the order in which items are shown in the balance sheet and in P&L.

Concerning what has been indicated in this notes' introduction, we certify that, pursuant to art. 2423, clause 3 of the Civil Code, whether informations required by particular law dispositions should not be enough to give a true and correct business system overview, additional informations, considered mandatory for the above-mentioned aim, will be supplied.

There have not been particular circumstances which led to recourse to derogations of the art. 2423, clause n. 4 and 5 and art. 2423-bis , clause 2 of Civil Code.

Financial statements, and related Notes, have been drafted by using Euro currency.

## **Drafting Criteria**

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### **Fundamental principles for preparation**

Analysis of Financial Statements items has been carried on in accordance with the principle of prudence and with company's ongoing activity.

The impact of Covid-19, together with other management problems, led to a decrease in revenues in the year ended 31/12/20, equal to about 36% compared to the previous year. This reduction was also reflected in operating costs and EBITDA.

Even the financial situation of the Company, as well as the economic situation indicated, has been impacted by the pandemic in a negative way. The Company has continuously monitored the evolution of current and prospective cash flows, using, as described below, loans guaranteed by the State granted by financial institutions, for liquidity management. In spite of this, the Company has correctly fulfilled all the tax, contribution and social obligations provided for by the current legislation without resorting to the possibilities offered by the Government in the matter of instalment payments taxes and contributions; paid salaries to employees without delay, managed the debt with the suppliers without stopping the ongoing investments and commitments provided for in the Development Contract. Therefore, the assessment of the balance sheet items was carried out from the perspective of business continuity and therefore taking into account the fact that the company constitutes a functioning economic complex, intended, at least for a foreseeable period of time in the future, no less than 12 months, no uncertainties emerged as regards income production, as the prospective assessment of the business continuity assumption. This claim is supported, in addition to the circumstances described above, by the effects of the strategies applied, from the forecast 2021 due to the absence of uncertainties regarding the financial endowment necessary to pay the debts due in the next 12 months entered in the financial statements at 31 December 2020, taking into account also the receipts received by customers in the first months of year 2021, equal to about 20% of net receivables at 31 December 2020, as well as contributions that will be paid in the short term, as well as the instruments adopted by the administrative body in the management of the company indicated in part in this document and better described in the Annual Report for the financial year 2020.

Pursuant to art. 2423-bis c.1 point 1-bis C.C., the recording and presentation of items shall be carried out taking into account the substance of the transaction or contract. In the preparation of the financial statements, the expenses and income were entered in accordance with the principle of competence regardless of the time of their publication and only the profits made at the end of the financial year were indicated. Account has also been taken of the risks and losses accruing to the financial year, even if known after it has been closed. The measurement of the components of the individual items of assets or liabilities took place separately, in order to prevent the surplus values of some items from offsetting the losses of others.

### **Financial statements - Structure and Content**

Assets and Liabilities, P&L, financial report and accounting informations included in the Notes are in compliance with accounting records, main Notes' source.

Assets and Liabilities and P&L don't include groups of those items preceded by Arabic numbers, as optionally required by art. 2423-ter of Civil Code.

In accordance with art. 2424 of the Civil Code we confirm there are no elements of either assets or liabilities included under items in the financial statements prospectus.

### **Exceptional cases pursuant to art. 2423, 5 paragraph, of the Civil Code**

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There were no exceptional cases that made necessary the exemptions pursuant to art. 2423, paragraphs 4 and 5 of the civil code.

### **Changes in accounting policies**

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There have been no exceptional cases that have made necessary the use of derogations referred to in art.2423-bis c.2 of the Civil Code.

### **Comparability and adaptation problems**

In accordance with article 2423b of the Italian Civil Code states that the Captions relating to fixed assets are not comparable with respect to the previous year as the Company, in compliance with the provisions of Article 60, paragraphs 7-bis to 7-quinquies of A.D. 104/2020, As further explained, no depreciation was set aside in the financial statements.

### **Evaluation Criteria**

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Evaluation criteria for items and valuations adjustments are in compliance with Civil Code instructions and indications included in accounting principles released by OIC. Abovementioned criteria are not different from those used in the previous fiscal year.

In accordance with Art. 2427 c. 1 n. 1 of the Civil Code, Notes show the most meaningful marking criteria adopted in compliance with instructions in art.2426 of Civil Code, specifically referring to those balance sheet items for which the legislator allows different marking and adjustment criteria, or for which particular criteria are not provided for.

#### **Intangible assets**

Intangible fixed assets, on the basis of the accounting principles, are shown on the balance sheet at their purchase and/or production cost.

The Company, in derogation from the provisions of article 2426, first paragraph, no. 2 of the Civil Code concerning the annual depreciation of fixed assets, tangible and intangible, has availed itself of the option provided by art. 60 DL. 104/2020 to suspend depreciation of intangible fixed assets to have not incur an operating loss (A-B) recorded as a result of the pandemic by Covid-19.

To this end, the Company, in application of the provisions introduced by paragraphs 7-bis- 7-quinquies of Article 60 of Law No. 126 of 13 October 2020, for the current year did not carry out, therefore, 100 per cent of the annual depreciation

of the cost of intangible fixed assets, while maintaining their book value, as resulting from the last annual budget duly approved. The portion of depreciation not carried out pursuant to paragraph 7-bis will be booked to the income statement for the following year and with the same criterion the subsequent shares are deferred, thus prolonging the original depreciation plan for that share by one year. The Company, pursuant to paragraph 7-ter, will allocate, when approving this financial statements, an unavailable profit reserve of an amount corresponding to the portion of depreciation not carried out. In the case of operating profits of an amount less than that of the amortisation portion, the reserve shall be supplemented by profit or other available reserves, in accordance with the provisions of the same subparagraph.

Finally, pursuant to paragraph 7-quinquies of Article 60 of Law No. 126 of 13 October 2020, companies that have availed themselves of the derogation can still proceed with the deduction of depreciation (obviously of those deductible according to the Consolidated Income Tax Act) for both Ires and IRAP purposes, irrespective of whether they are booked to the profit or loss account. As a result, the Company, choosing to proceed with the deduction of depreciation and amortisation not recorded in profit or loss, in accordance with the Accounting Standard OIC 25 "Income Taxes" recorded the related deferred taxes, as described below.

The influence on the representation of the financial position and profit or loss in the exercise of this choice is shown in the paragraph on equity.

The value of fixed assets is shown net of provisions for depreciation and write-downs.

Government grants received in respect of intangible fixed assets were accounted for using the indirect method. The contributions, therefore, were booked to the income statement under item A5 "other income and income" and, therefore, deferred on an accrual basis to subsequent years by recording deferred income.

Pursuant to and for the purposes of Article 10 of Law no. 72 of 19 March 1983, and as also recalled by subsequent monetary revaluation laws, it is specified that for intangible assets still existing in assets no monetary revaluation has ever been carried out.

It should be noted that on these fixed costs it was not necessary to write down pursuant to art. 2426 paragraph 1 no. 3 of the Italian Civil Code because, as required by accounting principle OIC 9, there were no indicators of potential lasting losses in the value of intangible fixed assets.

#### *Plant's installation and extension costs*

The installation and extension costs were recorded on the assets side of the balance sheet with the consent of the board of statutory auditors as they have a multi-year utility; these costs were amortised within a period not exceeding five years.

#### *Development costs*

Development costs have been recorded in the balance sheet assets with the consent of the board of statutory auditors since they have, according to prudent judgment, the characteristics required by the OIC 24: the costs are recoverable and relate to specific development projects that can be made and for which the company has the necessary resources. Furthermore, costs relate to a clearly defined, identifiable and measurable product or process. Since it is possible to reliably estimate their useful life, these costs are amortized according to their useful life.

#### *Intangible assets*

Intangible assets are recorded at purchase cost including accessory costs and are amortized within the legal or contractual limit envisaged for them.

It should be noted that it was not necessary to carry out depreciations pursuant to art. 2426 paragraph 1 n. 3 of the Italian Civil Code since, as required by OIC 9, no indicators of potential permanent losses in value of intangible assets were found.

#### **Tangible assets**

Assets belonging to the category of tangible fixed assets, recognised at the date on which the risks and benefits associated with the asset acquired are transferred, are shown on the balance sheet at purchase cost, increased by any ancillary charges incurred up to the time the goods are ready for use and in any case within the limit of their recoverable amount.

The costs incurred during the year, which resulted in an effective increase in productivity, useful life or assets, were attributed to an increase in the value of the assets to which they relate.

These assets are shown on the balance sheet net of depreciation and impairment funds

By way of derogation from the first paragraph of Article 2426, no. 2 of the Italian Civil Code concerning the annual depreciation of fixed assets, tangible and intangible, the Company availed itself of the option provided for by art. 60 DL. 104/2020 to suspend depreciation of tangible fixed assets to have not incur an operating loss (A-B) recorded as a result of the pandemic by Covid-19.

To this end, the Company, in application of the provisions introduced by paragraphs 7-bis- 7-quinquies of Article 60 of Law No. 126 of 13 October 2020, for the current year did not carry out, therefore, 100 per cent of the annual depreciation of the cost of tangible fixed assets, maintaining their book value, as resulting from the last annual budget regularly approved. The portion of depreciation not carried out pursuant to paragraph 7-bis will be booked to the income statement for the following year and with the same criterion the subsequent shares are deferred, thus prolonging the original depreciation plan for that share by one year. The Company, pursuant to paragraph 7-ter, will allocate, when approving this financial statements, an unavailable profit reserve of an amount corresponding to the portion of depreciation not carried out. In the case of operating profits of an amount less than that of the amortisation portion, the reserve shall be supplemented by profit or other available reserves, in accordance with the provisions of the same subparagraph.

Finally, pursuant to paragraph 7-quinquies of Article 60 of Law No. 126 of 13 October 2020, companies that have availed themselves of the derogation can still proceed with the deduction of depreciation (obviously of those deductible according to the Consolidated Income Tax Act) for both Ires and IRAP purposes, irrespective of whether they are booked to the profit or loss account. As a result, the Company, choosing to proceed with the deduction of depreciation and amortisation not recorded in profit or loss, in accordance with the Accounting Standard OIC 25 "Income Taxes" recorded the related deferred taxes, as described below.

The influence on the representation of the financial position and profit or loss in the exercise of this choice is shown in the paragraph on equity.

Any disposal of assets (disposals, scrapping, etc.) during the year led to the elimination of their residual value. Any difference between carrying amount and disposal value has been recognised in profit or loss.

Where, irrespective of depreciation already accounted for, there is a lasting loss in value, the fixed asset shall be correspondingly written down; if in subsequent years the reasons justifying the write-down are lost, 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 of an incremental nature are attributed to the assets to which they relate and amortised in relation to the residual possibilities of use of the same.

Costs incurred in expanding, modernising or improving the structural elements of a tangible fixed asset shall be capitalised if they result in 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 profit and loss account.

Tangible fixed assets at the time they are disposed of are reclassified to an appropriate current asset item and are then valued at the lower of their net book value and their realisable value derived from market developments. Assets intended for sale are no longer subject to depreciation.

Government grants received in respect of tangible fixed assets were accounted for using the indirect method. The contributions, therefore, were booked to the income statement under item A5 "other income and income" and, therefore, deferred on an accrual basis to subsequent years by recording deferred income.

Spare parts are distinguished between: low unit cost, low total value and recurrent use parts, which are recognised as costs at the time of purchase; spare parts of significant unit cost and non-recurring use, which are classified among tangible and amortised fixed assets over the period which appears to be the shortest from the comparison between the remaining useful life of the asset to which they relate and their useful life calculated by estimating the estimated time of use and the items of significant cost unitary and of very recurrent use, which are included in the inventory and discharged according to consumption..

Payments on account to suppliers for the purchase of tangible fixed assets entered under item B.II.5 are initially recognised on the date on which only the obligation to pay these amounts arises. As a result, payments on account are not subject to depreciation.

### **Fixed assets**

Shares and securities recorded as fixed assets are destined to have a long-lasting presence in company assets. Shares are assessed by the adjusted cost of permanent loss of value, while securities are assessed by using amortized cost.

The cost method assumes that the value for inclusion in the budget is fixed according either purchase or subscription price, including additional costs. When a long-term loss is perceived, shares carrying value is reduced to the minimum recoverable value, determined by expected future benefits which will flow into subsidiary savings.

The amortized cost of a security is the value at which the security was valued at the time of initial recognition net of capital repayments, increased or decreased by accumulated amortization, using the effective interest criterion, on any difference between the value initial and expiring and deducting any reduction (directly or through the use of a provision) following a loss in value. The initial value is represented by the purchase or subscription price net of any fees.

The amortised cost of a security is its assessed value at the time of initial net capital repayments, increased or decreased by accumulated amortization through the effective interest method, on any difference between the initial value and the maturity one, deducting any reduction (operated directly or through a fund), following a loss of value. The initial registration value is represented by the purchase price or subscription, net of any commissions.

### **Financial leasing activities**

Assets purchased by financial leases are represented, as required by the Legislator, according to the equity method, with the recognition of lease payments among operating costs.

### **Inventories**

Inventories are recorded at the lower of the purchase or production cost determined according to the weighted average cost method and the estimated realisation value derived from market performance (art. 2426 number 9 c.c.). Purchase cost means the actual purchase price plus ancillary charges, excluding financial charges.

In the case of goods, finished products, semi-finished products and work-in-progress products, the net realisation value of these goods shall be taken as a reference for the determination of the realisation value which can be deduced from market developments directly. In the case of raw and ancillary materials involved in the manufacture of finished products, no write-down shall be applied if the finished products into which they are to be incorporated are expected to be realised at or above the cost of production of the finished product.

Inventories are written down in the balance sheet when the realisation value deduced from the market performance is less than the related book value. The obsolete supplies and of slow rigiro are devalued in relation to their possibility of use or realization.

Advances to suppliers for the purchase of goods included in inventories entered in C.1.5 are recognised initially at the date on which the obligation to pay these amounts arises or, in the absence of such an obligation, at the time when they are paid.

### **Receivables**

Debtor balances pursuant to art. 2426, paragraph 1 number 8 of the Italian Civil Code are recognised according to the amortised cost criterion, with the exception of loans for which the effects of applying the amortised cost, pursuant to art. 2423 paragraph 4 of the Italian Civil Code, are irrelevant (shorter than 12 months).

Receivables for which the amortised cost method was not applied were recognised at the amount of assumed realisable.

Receivables, irrespective of whether or not amortised cost is applied, are shown on the balance sheet net of a provision for write-downs to cover receivables deemed bad, as well as the general risk relating to the remaining receivables, based on

estimates based on past experience, trends in the seniority of past receivables, general economic, sectoral and country risk ratios, as well as the events after the end of the financial year that affect the values at the balance sheet date.

The amount of the allowance provision provision provision is recognised in profit or loss.

Factoring receivables shall be removed from the balance sheet only if they are disposed of pro-solute, and substantially all credit risks are transferred. Loans and advances sold on a pro-solvency basis, or in any case without the transfer of all risks, shall remain on the balance sheet and a financial liability of the same amount shall be entered in the liability account against the advance received.

### **Tax Credits and prepaid taxes**

Tax Credits" items includes specific amounts from receivables the right of profit by refund or compensation.

"Prepaid taxes" items includes all taxes prepaid fixed according temporary deductible differences, by rate applicable at the moment these differences will be passed on.

### **Cash and cash equivalent**

Cash and cash equivalents at the end of the fiscal year are valued according to nominal value. Any foreign currency amounts' availability is valued according the exchange rate at the end of fiscal year.

### **Accruals and deferrals**

In accordance with accrual basis, shares of costs and revenues are recorded under "accruals" and "deferrals" entries in current fiscal year, but due in following fiscal years, along with shares of costs and revenues incurred within the fiscal year closing also relating to subsequent fiscal one.

### **Net income**

The items are shown in the financial statements at their book value according to the indications contained in the accounting principle OIC 28.

### **Provisions for risks and charges**

The provisions for risks and charges are granted to cover losses or debts of a determined nature, whose existence is certain or likely. However, their amount or date of occurrence are not determinable at the fiscal year closing. Allocations reflect the best appraisal based on the available elements. Risks or a liability which are only considered possible are indicated in notes of the funds, without creating a specific provision for risks and charges. Provisions for risks and charges are recorded as a priority in the P&L account cost entries referred to the relevant classes (B, C or D). Any time interconnection between the nature of the provision and one of the abovementioned class entries is not possible, the provisions for risks and charges are recorded under B12 and B13 entries of P&L account).

### **Severance pay fund (TFR)**

The amount due to an employee after termination of the employment contract is recorded under "employee termination benefits" entries at the fiscal year's closing date. The changes of TFR legislation by Law n. 296 on December, the 27th 2006 ("Financial Law 2007") and by subsequent Decrees and implementing regulations, have modified statement's criteria applied to the amount of TFR gained at December, the 31st 2006 and those still to be gained from January, the 1st 2007, because the "Contract Termination Indemnity Fund for Employees in the Private Sector" referred to in article 2120 of the civil code (Treasury fund managed by the INPS on behalf of the State) states that companies with at least 50 employees are obliged to deposit TFR payments into the Treasury Fund for all employees who have not chosen to deposit these funds into a complementary pension fund. The amount of the severance pay shown in the balance sheet is net of the payments made to said INPS Treasury Fund.

## Payables

Payables, pursuant to art. 2426, paragraph 1, number 8 of Italian Civil Code are recorded according to amortized cost criterion, with the exception of payables for which the application of amortized cost, pursuant to art. 2423 paragraph 4 of Italian Civil Code, are irrelevant (due less than 12 months). Due to the principle of relevance already mentioned, payables have not been discounted if the interest rate inferable from the agreement conditions is not significantly different from the rate market interest

Payables for which the amortized cost criterion was not applied were therefore recognized at nominal value.

The subdivision of the amounts due within and after the financial year is carried out with reference to the agreement or legal expiry date, also taking into account facts and events that may lead to a change in the original expiry date.

Payables arising from acquisitions of assets are recorded at the time that risks, charges and benefits are transferred; those related to services are recognized at the time that service is performed; financial and other assets at the time that the obligation to the counterparty arises.

Tax payables include liabilities for specific taxes, as well as withholding taxes, which have not yet been paid at the balance sheet date, and, where compensation is permitted, are recorded net of advanced payments, withholding taxes and receivables. 'tax.

The payables for holidays accrued by employees and for deferred remuneration, including the amount due to social security institutions, are allocated on the basis of the amount that should correspond in the case of termination of employment at the date of the financial statements.

## Derivatives

Derivatives are financial assets and financial liabilities through fair value.

Derivatives are classified as hedging instruments only when, at the beginning of hedge, there is a strong and supported matching between the characteristics of the hedged entry and those of the hedging instrument, the hedging relationship is formally documented and hedging effectiveness, periodically verified, is high.

When derivatives cover the risk of variation in hedged items future cash flows (cash flow hedge), the effective portion of profits or losses on derivatives is suspended in net assets. The company has decided to apply hedge accounting for the coverage of the variability of the cash flows of financial liabilities due to the effect of the fluctuations in interest rates.

Therefore, changes in the related fair value of hedging derivative financial instruments are recorded in a specific equity reserve (under item AVII "Reserve for expected cash flow hedging transactions") in the case of cash flow hedging in accordance with these procedures to counterbalance the effects of hedged flows (the ineffective component, as well as the variation in the time value of options and forward, is classified under items D18 and D19).

## Income

Income related to sales of goods are recorded when property deed of related to management are net of returns, discounts, rebates and bonuses, as well as taxes directly connected with the sales of goods. Revenues for the performance of services are recognized after completion and/or maturation.

## Costs

Costs are recorded on an accruals basis, no matter the date of collection and payment, net of returns, discounts, rebates and premiums.

## Financial income and charges

Financial income and charges are recognized on an accrual basis. Costs referred to operations of credits disposal at any title (with recourse/without recourse) and at any natures (financial, commercial, etc) are charged to the related results.

## Income taxes

Income taxes are recorded on the basis of an estimate of taxable income in conformity with applicable regulations, taking into account the applicable exemptions and tax credits due.

Deferred taxes assets and liabilities are calculated on temporary differences between the values of the assets and liabilities determined according to civil law criteria and the corresponding values recognized for tax purposes. Their evaluation is carried out taking into account the presumable tax rate company will be incurred during the year in which these differences contribute to tax result, whereas the rates either prevailing or already issued at the financial statements issuing date and are respectively allocated in "Deferred tax liabilities", under provisions for liabilities and charges entry, and in "deferred tax assets".

Deferred tax assets are noticed on all deductible temporary differences, with due regard for the principle of prudence, whether their existence are proved on fiscal documents, where the same will be transferred of a taxable income equal or higher than the amount of the differences that will be cancelled.

Deferred tax liabilities are noticed on all taxable temporary differences.

## Other Informations

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### Repurchase transactions

Company, pursuant to art.2427 n. 6-ter, certifies that, during fiscal year, no repurchase transaction has been performed.

## Notes, assets

Movements of each balance sheet's items are analyzed in detail, according to the provisions of current legislation.

### Fixed assets

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#### Intangible assets

The value of intangible fixed assets, net of amortisation provisions and write-downs, amounted to Euro 15,020 thousand (Euro 9,063 thousand in the previous year).

Depreciation, until 31/12/2019, has been applied in accordance with the following schedule, which is believed to ensure a correct distribution of costs incurred during the useful life of assets including in this document:

Intangible assets	Period
Installation and expansion costs	5 years in equal instalments
Development costs	5 years in equal instalments
Concessions, licenses, trademarks and similar rights	5 years in equal instalments
Other intangible assets	Equal instalments for the duration of useful life

In the closing financial year, as shown above, was not operated

The costs of installation and extension have been entered in the budget with the consent of the Board of Statutory Auditors. They refer to multi-annual charges of 132 thousand euro.

**The development costs**, amounting to €14,076 thousand, were recorded on the assets side of the balance sheet with the consent of the Board of Statutory Auditors as having, according to prudent judgment, the characteristics required by CIU 24: costs are recoverable and relate to specific development projects that can be implemented and for which the company has the necessary resources. In addition, it is considered that these projects will be profitable to an extent that recovers the capitalisation of costs.

In the Management Report, in the appropriate paragraph, the Company's R & D activities are described in detail

The industrial patent rights and the rights to use the works of the engineer amount to a total of 11,888 thousand euro and refer, mainly, to costs relating to the purchase on the basis of ownership, as a license to use the application software both for a fixed time and for an indefinite period, as well as costs for the completion of one of the many projects carried out internally by the Automation Division of the Machining BU of the Company thanks to the know-how della CMD costruitosi nel corso degli anni, come di seguito meglio descritto, in particolare il progetto n. Project n. 19077, relativo lo sviluppo da parte del team di R&D della BU -Machining-Automation Division di un software che permette la connessione «smart» of a sensor to the network CMD machines in order to monitor, control and analyze data remotely in realtime using Bluetooth or Wireless connection.

In the Management Report, in the appropriate paragraph, the activity of the Automation Division of the Company's Machining BU is analytically illustrated.

Concessions, licences, trademarks and similar rights amount to EUR 248,000 and refer to costs of know-how for unpatented technology.

Other intangible fixed assets comprise the capitalisation value of multi-year charges for a value of 13 thousand euro.

Government grants received in respect of intangible fixed assets were accounted for using the indirect method. The contributions, therefore, were booked to the income statement under item A5 "other income and income" and, therefore, deferred on an accrual basis to subsequent years by recording deferred income.

It should be noted that on these fixed costs it was not necessary to write down pursuant to art. 2426 paragraph 1 no. 3 of the Italian Civil Code because, as required by accounting principle OIC 9, there were no indicators of potential lasting losses in the value of intangible fixed assets.

### Intangible assets movements

Intangible assets movements are described in the following scheme:

	Incorporation and subsequent expenses	Development costs	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other Intangible fixed assets	Total Intangible fixed assets
<b>Value at the beginning of the period</b>						
Cost	258.907	41.889.170	1.185.318	779.613	282.605	44.395.613
Amortizations (Amortization Foud)	146.495	33.467.075	863.934	580.099	274.638	35.332.241
Balance Sheet Value	112.412	8.422.095	321.384	199.514	7.967	9.063.372
<b>Variations during the period</b>						
Increase	-	5.653.669	220.407	48.162	-	5.922.238
Balance Sheet reclassification	-	-	9.186	-	-	9.186

	Incorporation and subsequent expenses	Development costs	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other Intangible fixed assets	Total Intangible fixed assets
Amortization	(20.000)	-	-	-	-	(20.000)
Other variations	-	-	-	-	4.911	4.911
<b>Total variations</b>	<b>20.000</b>	<b>5.653.669</b>	<b>229.593</b>	<b>48.162</b>	<b>4.911</b>	<b>5.956.335</b>
<b>Value at the end of the period</b>						
Cost	258.907	47.542.839	1.414.911	827.775	287.516	50.331.948
Amortizations (Amortization Foud)	126.495	33.467.075	863.934	580.099	274.638	35.312.241
Balance Sheet Value	132.412	14.075.764	550.977	247.676	12.878	15.019.707

The increase in intangible fixed assets of Euro 5,956 thousand is due to the capitalised costs incurred by the Company mainly for the development of GF56, CMD22 and CMD18 avio engines, in addition to the costs for the development of energy projects, related to the development of a micro-cogenerator powered by residual biomass for the production of electricity and for industrial production and large-scale deployment of micro-systemsPower scale, based on coupling between downdraft gasifiers and internal combustion engines, and projects on marine engines and avio engines, concerning the development of the hybrid engine for both categories. In particular, the item development costs increased the historical cost during the year 2020 by Euro 5,652 thousand, of which Euro 1,172 thousand for the purchase of materials, Euro 1,288 thousand for services and technical collaborations, Euro 3,192 thousand relating to personnel costs used in the development activity.. Depreciation of intangible fixed assets, as shown above, was not carried out for the current year. *Dettaglio composizione costi pluriennali*

#### *Installation and extension costs*

Compared to last year there were no significant changes.

As regards the reasons for their inclusion and their depreciation criteria, please refer to the above.

#### *Development costs*

The following table shows the details of the development costs, showing the changes compared to the previous year.

As regards the reasons for their inclusion and their depreciation criteria, please refer to the above.

Description	2020	2019	Absolute Variation	Variation %
GF56 (Avio) Project	4.245.732	2.206.628	2.039.104	92%
CMD22/18 (Avio) Project	4.852.683	3.165.574	1.687.109	53%
Progetto Ibrido (Avio) - mild hybrid	136.389	0	136.389	-
Energy Projects	2.542.696	1.683.591	859.106	51%
Hybrid Engine Project (Marine)	2.298.264	1.366.303	931.961	68%
<b>Totale</b>	<b>14.075.764</b>	<b>8.422.095</b>	<b>5.653.669</b>	<b>67%</b>

Below you will find the main R & D activities carried out by our Company during the financial year.

The status of ongoing development projects is as follows:

- **Development project GF56:** related to the development, aimed at production, of the GF56 engine, an innovative two-stroke common rail diesel engine with a displacement of 5600 cc with general aviation propulsion aircraft category CS23 and FAR 23. The petrol engines used in the AG have high operating costs (high fuel costs, difficult to find), high fire risk due to the nature of the fuel, to which we must add another important aspect concerning pollution. That is why there is strong pressure both in the United States and in Europe to reduce emissions, and so there is a strong push to find an alternative to conventional petrol engines.

In this market context the potential of diesel cycle engines are remarkable and precisely related to the techno/economic advantages which while having a slightly higher purchase cost than the engines of equal power Americans can use certified fuel more commonly distributed in all airports of the world (diesel and kerosene) which has a much lower cost than aviation gasoline.

The reduction in fuel consumption and the lower cost of fuel give the opportunity to quickly repay the initial investment and then reduce the hourly cost of operating the aircraft.

The CMD GF56 diesel engine offers, in summary, the following main advantages:

Significant reduction in fuel consumption (30 - 40 %)

Possibility to use fuels such as the Jet A-1 or JP 8 that offer greater safety (low risk of flammability)

Suitable for supercharging: high specific power and almost altitude-independent performance

Robustness, Reliability and Maintainability: intervals between longer successive maintenances.

Reduced flammability compared to a petrol engine

Increase in flight autonomy with equal embarked fuel

Reduction of noise level

Easy to find kerosene at all airports.

The development of this engine has taken almost twenty years in which technological experience and significant certifications have been gained. The Know How, therefore, developed by the Company in this regard, has allowed to define "legitimately" intellectual property by means of formal recognition, after a request submitted to the Ministry of Economic Development (trademark and patent office).

During the month of January 2019, the CMD started the GF56 engine certification process with the application presentation. During the year 2020 it was necessary to formalize in EASA the start of two "Significant Change - DOA (Design Organisation) processes" due to:

1. amendment of the PART 21 Regulation introducing the concept of "Level of Involvement";
2. enlargement of the "scope of work" due to GF56 engine certification activities, which falls into the CS-E category, which means suitable for installation on CS-23 aeroplanes (max 9 passengers).

In addition, the electronic department, after a long period of research and design has developed an innovative system FADEC (Full Authority Digital Engine Control) for the GF56 engine. It is the first prototype known as Model 0C. During the month of November 2020 a new version of FADEC was developed, passing from FADEC model 0C to FADEC model A. The certification process of this system is still ongoing.

During the year 2021 the assembly of the "test articles" is foreseen, with the consequent start of the certification tests according to the EASA CS-E standard, which will end with the obtaining of the type certification (TC-Type Certification EASA) expected by 2021.

**Development projects CMD22/CMD18:** relating to the development, for the purpose of production, of two petrol engines of different power and displacement, intended for the ultra-light aviation segment, air-cooled with 4-cylinder, operating on the Otto cycle, 4 times, with electronic fuel injection in the intake manifold ("indirect" injection).

Today there are various types of piston engines on the market with different characteristics, depending on whether they are intended for traditional ultralight aircraft (tubes and canvas) or the latest generation of ultra-light composite materials much closer to the world of General Aviation. In fact, the first ones are usually twin-cylinder, almost always with 2 times with positive ignition, while the second ones are in almost all cases with 4 cylinders with 4 times.

Considering this second class of engines, these are usually avionized versions of engines originally born for automotive applications, except for the ROTAX 912 engine and the JABIRU 2200.

The development activities of CMD with regard to the ultralight petrol engine (CMD22) are aimed at making the weight/power ratio more competitive, increasing reliability and reducing consumption, thanks to the use of electronic injection which makes the engine more reliable during flight phases and reduces fuel consumption in favor of pollution and flight autonomy. During 2019, CMD's know-how led to an evolution of the aforementioned engine, always with a view to achieving the aeronautical objectives. The engine (CMD18), therefore, will see the introduction of water cooling, a reduction in displacement and a simplification of the machining of components, an increase in performance.

The development of this engine has taken almost twenty years in which technological experience and significant certifications have been gained. The Know How, therefore, developed by the Company in this regard, has allowed to define "legitimately" intellectual property by means of formal recognition, after a request submitted to the Ministry of Economic Development (trademark and patent office).

The CMD22 engine as well as having passed all the tests agreed with EASA to achieve the status of "certified aeronautical product" was installed on the aircraft sky arrow and supported a flight testing campaign.

During the month of January 2018 CMD obtained the Type Certificate (EASA E.120) for the CMD 22 engine, while at the end of the year 2019 (10/12/2019), CMD obtained from EASA the Design Organisation Approval Certificate (EASA 21J.709), valid for both avio engine designs.

This was a prestigious result, since it places CMD as the second Italian company to hold an approval of its organisation with the aim of designing aircraft engines and the sixth in Europe.

The objective in 2021 is the realization of the first CMD18 prototypes and for the year 2022 is previewed the EASA certification of the same.

- **Progetto di sviluppo motore ibrido avio (Diprovel):** relativo allo sviluppo di un sistema propulsivo ed energetico ibrido-elettrico, per applicazione su velivoli leggeri, con livelli di safety adeguati e ad alta densità di potenza che dimostri convenienza rispetto ad una motorizzazione tradizionale per assegnati profili di missione, come ad esempio quelli corrispondenti a voli di addestramento. Il sistema sarà integrato in un velivolo leggero e provato a terra. L'idea progettuale di base prevede di realizzare una configurazione con macchina elettrica, che funzioni da motore e generatore, sull'albero del motore termico. Il motore termico baseline è il CMD 22.  
La conclusione del progetto è prevista nel 2022.
- **Energy development project (Prometheus):** development of activities aimed at defining a "reference bio-fuel" characterized by appropriate chemical-physical properties "built ad hoc". The next experiment will allow to evaluate the actual benefits produced by the identified pre-treatment processes, such as the aforementioned roasting or hydrothermal carbonization. The project is expected to be completed in 2022.
- **Energy Development Project (Bioplus):** carrying out of numerical/experimental activities, which began in previous years, concerning the development of the original project of a pyrometer powered by wood chips only, in order to ensure industrialisation and market penetration of an innovative, energy-efficient and inclusive system of advanced micro-electronic technologies for increased operational flexibility and long-term reliability. The main innovation element of the project has covered both the optimization of the micro-cogenerator from the point of view of energy and environmental performance, and the ability to use bio-fuels deriving from residual materials appropriately pre-treated. The micro-cogenerator, derived from BIOPLUS, will be the subject of immediate future industrialization and market diffusion as an integrated service technology for the exploitation of organic waste as a renewable energy source, and will be able to make a concrete contribution to the realisation of a future energy system that is reliable, sustainable and competitive, less and less based on the use of fossil fuels. In particular, a system characterized by:
  - possibility to process different biomass for composition, size, degree of humidity;
  - obtaining a syngas with suitable characteristics (high calorific value and sufficient purity) for use in an internal combustion engine in cogeneration;
  - obtaining an installation characterized by noise and air emissions compatible with the limits set by the reference standards.

- The project was completed during the first half of 2020 with the achievement of the "soundproof" version of the Eco20 completely unmanned, as well as with the creation of a kit applied to current Eco20x systems that significantly reduce the dB currently produced.
- **Progetto di sviluppo Energy (Greenfarm):** carrying out activities aimed at the design of a photovoltaic plant for the production of electricity on the cover of a building of 100 kW of power for the self-consumption of the production site; and the creation of a cluster of microgenerators powered by residual woody biomass at the service of a building without winter and summer air conditioning, Operating with the Pirogasification of biomass for the production of syngas suitable to feed endothermic engines for the production of electricity and thermal energy with a total power of 300 kwe and 600 kwt for self-consumption of the production site.

This project is in fact aimed at increasing sustainability in agriculture through a substantial reduction in the use of fossil fuels for energy generation subservient to food production and the recovery of waste materials for use as soil improvers, fertilisers or biostimulants to preserve natural resources and increase yield. The main aims of the project are: aumento della sostenibilità in agricoltura e nella filiera di trasformazione con riduzione dei consumi energetici da rete;

- widening the know-how and market shares of the Italian agri-food chain in the greenhouse and hydroponic crops sector;
- the identification of chemical and biological pathways for the recovery of materials for soil fertilisation;
- testing of the use of marginal land for environmental phytoremediation (habitat restoration following excessive degradation) and of sites contaminated by phytopurification;
- improving the economic and environmental sustainability of the protected crop sector;
- the development of innovative bio-products specific to agriculture and protected crops;
- development of technologies for cultivation in extreme climate environments (arctic or desert regions).

The project is expected to be completed in 2022.

- **Marine hybrid engine development project:** has as its objective the development of a hybrid marine propulsion system through the carrying out of activities of analysis of the possible hybrid propulsive architectures of thermal-electric type of employment in the marine field.

The project is expected to be completed in 2022.

The development costs listed above were considered to be of repeated use as they relate to terminal development projects, the products of which are clearly identified, present a market and from the marketing of which, on the basis of the market research carried out, there are sufficient profit margins to cover also depreciation of capitalised costs.

As regards the development projects mentioned above, there was no evidence of lasting impairment, as the cash flows generated by the realisation of such projects were not lower than the amount of R & D costs capitalised at the end of the period.

For a better understanding of the research and development activities in which the Company is engaged, please refer to the Management Report.

## Tangible assets

This asset item includes durable goods forming part of the Company's permanent organisation.

Referring to enduring factors and conditions is not intrinsic to the goods as such, but to their destination.

They are normally used as instruments of production of the income of the characteristic management and are not, therefore, destined to the sale, neither to the transformation for the obtainment of the products of the Society.

Where the Company intends to sell tangible fixed assets, they may be classified separately from tangible fixed assets under a separate heading of the current assets.

The ordinary depreciation, until 31/12/2019, was calculated on the basis of rates deemed representative of the residual usability.

Tangible Assets	Rate %
Land and Buildings	1,5
Plant and Equipments	2,5 10,0
Industrial and commercial equipments	6,25 12,5 25,0
Other goods	20 12 20 25

Depreciation of tangible fixed assets, as noted above, in the previous paragraph "Applied evaluation criteria", has not been operated.

Any disposal of assets (disposals, scrapping, etc.) during the year led to the elimination of their residual value. Any difference between carrying amount and disposal value has been recognised in profit or loss.

For fixed assets acquired during the year, these rates have been reduced to half as the depreciation rate thus obtained does not differ significantly from the rate calculated from the time when the assets are available and ready to use.

Government grants received in respect of tangible fixed assets were accounted for using the indirect method. The contributions, therefore, were booked to the income statement under item A5 "other income and income" and, therefore, deferred on an accrual basis to subsequent years by recording deferred income.

The following prospectus specifies, pursuant to and for the purposes of art. 10 of the law 19 March 1983, n. 72, as well as also recalled by the successive laws of monetary revaluation, for which material assets a monetary revaluation has been carried out thus evidencing the relative amount.

Any disposal of assets (disposals, scrapping, etc.) during the year led to the elimination of their residual value. Any difference between carrying amount and disposal value has been recognised in profit or loss.

Government grants received in respect of tangible fixed assets were accounted for using the indirect method. The contributions, therefore, were booked to the income statement under item A5 "other income and income" and, therefore, deferred on an accrual basis to subsequent years by recording deferred income.

The following prospectus specifies, pursuant to and for the purposes of art. 10 of the law 19 March 1983, n. 72, as well as also recalled by the successive laws of monetary revaluation, for which material assets a monetary revaluation has been carried out thus evidencing the relative amount.

Description	Amount
Plant Atella 1	
Cost	3.918.458
Law n.2/2009	1.408.597
Amortization Foud	2.388.031-
Law n.2/2009	507.237-
	<b>2.431.787</b>

Description	Amount
Plant Atella 2	
Cost	2.059.113
Law n.2/2009	799.198
Amortization Foud	647.192-
Law n.2/2009	58.245-
	<b>2.152.874</b>

The company separately accounted for the portion of land underlying the buildings owned and no depreciation was made for the buildings as they are assets for which no future utility is expected to be exhausted.

### Tangible Assets Movements

Tangible fixed assets before depreciation provisions amount to Euro 80,245 thousand; depreciation provisions amount to Euro 31,315 thousand.

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

	Land and buildings	Plant and machinery	Production and commercial equipment	Other tangible fixed assets	Tangible in progress and payments on accounts	Total tangible fixed assets
<b>Value at the beginning of the period</b>						
Cost	18.295.620	25.706.672	19.764.530	2.919.269	3.544.116	70.230.207
Amortizations (Amortization Foud)	4.396.851	10.674.359	13.361.292	2.380.090	-	30.812.592
Balance Sheet Value	13.898.769	15.032.313	6.403.238	539.179	3.544.116	39.417.615
<b>Variations during the period</b>						
Increase	94.982	528.436	492.610	48.070	9.721.950	10.886.048
Balance Sheet reclassification	(1.380.530)	1.180.316	84.503	-	(1.285.006)	(1.400.717)
write-downs during the period	1.233.646	-	-	-	-	1.233.646
Other	-	-	-	(119.959)	-	(119.959)
<i>Total variations</i>	<i>(2.519.194)</i>	<i>1.708.752</i>	<i>577.113</i>	<i>(71.889)</i>	<i>8.436.944</i>	<i>8.131.726</i>
<b>Value at the end of the period</b>						
Cost	17.010.072	27.415.424	20.341.643	2.847.380	11.981.060	79.595.579
Amortizations (Amortization Foud)	4.396.851	10.674.359	13.361.292	2.380.090	-	30.812.592

	Land and buildings	Plant and machinery	Production and commercial equipment	Other tangible fixed assets	Tangible in progress and payments on accounts	Total tangible fixed assets
Write-downs	1.233.646	-	-	-	-	1.233.646
Balance Sheet Value	11.379.575	16.741.065	6.980.351	467.290	11.981.060	47.549.341

The main increases for the year were:

- works on the industrial building, factory, located in the municipality of Atella (PZ), in the Industrial Area of the Valle di Vitalba and on the industrial building located in the municipality of San Nicola la Strada (CE), for a total amount of 95 thousand euro, plus additional charges.

- plant and machinery for a total amount of Euro 1,724 thousand related to the purchase of new plant and machinery aimed at improving the production capacity of the Company; - industrial and commercial equipment for a total amount of EUR 577 thousand relating to the purchase of new equipment aimed at supporting the production capacity of the Company, in addition to EUR 41 thousand relating to the completion of a project, n. 19075, built internally by the Automation Division of the Machining BU of the Company for the construction of its own "laser marking station" for mechanical processing lines, thanks to the know-how of CMD built over the years, as described below in the Report on Budgetary Management for the year 2020.

- other tangible fixed assets for a total amount of EUR 48 thousand relating mainly to the purchase of new furniture, notebooks, servers and cars; - fixed assets in progress totalling EUR 11,981 thousand, mainly relating to the purchase of a helicopter for EUR 89 thousand, which, as it has not yet entered into operation, has not been amortised; to the advances paid for the purchase of a shed for Euro 1,213 thousand, for the purchase of five numerically controlled machines for Euro 3,375 thousand; for work in progress on the industrial building, factory, located in the Municipality of Atella (PZ), in the Industrial Area of the Vitalba Valley owned by the CMD, for an amount of approximately 704 thousand euro; for the construction of 5 test benches at the site of Atella for an amount of approximately 3,907 thousand euro; and for the construction of an industrial complex on the land of San Nicola la Strada (CE) owned by CMD, for an amount of 302 thousand euro and an energy efficiency platform at the site in the Municipality of Atella (PZ) in the Vitalba Valley Industrial Area owned by the CMD, for a total amount of 2,025 thousand euro. The item also includes costs for the implementation of two ongoing projects, n. 20084 and n. 20085, carried out internally by the Automation Division of the Company's Machining BU (€269 thousand) thanks to CMD's know-how built over the years.

These projects are better described in the Report on budgetary management for the year 2020.

Lastly, there is the reclassification of tangible fixed assets under construction and payments on account (item B.II.5) for the amount of EUR 1,274 thousand in respect of assets previously entered under this item and which have now become available and ready for use, appropriately located mainly in the category of plants

## Leasing Operations

The following prospectus contains the information requested by the Legislator with the aim of representing, albeit in a non-contractable way, the implications arising from the difference in accounting with respect to the financial method, in which the user undertaking would take over the asset leased between the fixed assets and calculate the related depreciation rates on that asset, while at the same time it would take over the debt for the principal portion of the rent to be paid. In this case, the profit and loss account would include the interest rate and the depreciation portion for the period.

	Amount
Total leased assets at year-end	3.080.255
Depreciation which would have been the responsibility of the year	137.192
Present value of fee instalments not past due at year-end	1.798.087
Borrowing costs for the year based on the effective interest rate	2.434

The Company has three ongoing leasing contracts relating to passenger cars, none of which have a residual term of over five years.

During the year 2019, a real estate lease was concluded in December of the previous year relating to a warehouse that will expire in September 2030.

There were no leases redeemed outstanding at 1/1/2021.

### **Financial fixed assets**

The Company holds at the end of the financial year financial fixed assets for 145000 euro.

The change compared to last year is attributable to the purchase, during the year 2020, of securities EURIZON Capital SGR spa, to guarantee the financing concluded with Sanpaolo Spa in the context of the Development Agreement, as further indicated, for a total value of 100 thousand euros. At the end of the year 2020 the market value of these securities is open to 102 thousand euros.

Investments in other companies amounted to 16 thousand euro.

The fixed assets amount to 129 thousand euro

### **Movements of equity, other shares, and fixed assets derivatives**

Assets movements are described in the following scheme:

	Investments in other companies	Total financial investments	Other Stocks
<b>Value at the beginning of the period</b>			
Cost	15.950	15.950	50.409
Depreciation	-	-	20.920
Balance Sheet Value	15.950	15.950	29.489
<b>Variations during the period</b>			
Increase	-	-	100.000
<i>Total variations</i>	-	-	100.000
<b>Value at the end of the period</b>			
Cost	15.950	15.950	150.409
Depreciation	-	-	20.920
Balance Sheet Value	15.950	15.950	129.489

### **Value of financial fixed assets**

The financial fixed assets in the financial statements have not been entered at a value greater than their fair value.

The details of the equity investments entered in the financial statements are as follows:

Description	Financial value	Fair value
-------------	-----------------	------------

Description	Financial value	Fair value
Distretto Aerospaziale Pugliese	1.500	1.500
Ga.Fi. Sud ScpA	250	250
Consorzio Ritam Euro	4.000	4.000
Sistema Campania Scarl	1.000	1.000
Cluster Energia Basilicata	500	500
Cluster Machining Basilicata	700	700
Consorzio Zefiro	8.000	8.000

All the investments are recorded in the financial fixed assets as they represent a long-term and strategic investment for the company.

The investments recorded at purchase cost have not been depreciated because they have not undergone any lasting loss in value.

## Current Assets

For this item we arranged specific detailed charts, reported on the following pages, showing each single item's nature and their related change for the periods.

### Inventory

Inventories amount to 16,972 thousand euros at the end of the year (16,762 thousand euros at the end of last year).

Inventories entered in the balance sheet include inventories at the Company's factories and warehouses (excluding those received by third parties for inspection, testing, processing and/or storage), the stocks owned by the Company with third parties and the goods in transit for which the Company has already acquired the title of ownership.

Stocks are composed mainly of raw materials, consumables and consumables and are valued according to the criteria described above.

It should be noted that stocks are not subject to encumbrance.

The following table provides information on changes in inventories.

	Value at the beginning of the period	Variations during the period	Value at the end of the period
Raw materials, ancillary materials and consumables	7.684.483	1.520.043	9.204.526
Work in progress and semi finished goods	438.417	(25.868)	412.549
Finished goods and goods for resale	7.363.132	(1.518.901)	5.844.231
Down payments	1.275.902	234.573	1.510.475
<i>Total</i>	<i>16.761.934</i>	<i>209.847</i>	<i>16.971.781</i>

There is no significant change.

## Tangible fixed assets for sale

The following table provides information on changes in tangible fixed assets intended for sale.

	Changes during the period	Year-end value
Tangible fixed assets for sale	<u>1.380.530</u>	<u>1.380.530</u>
<b>Total</b>	<b><u>1.380.530</u></b>	<b><u>1.380.530</u></b>

This is the industrial property located in Morra de Sanctis (AV) at a net book value of 2,614 thousand euros and object in this year of a write-down of 1,234 thousand euros, as shown below.

## Current assets and liabilities

The item in question totals 27,735 thousand euro at the end of the year (23,580 thousand euro at the end of the previous year) and mainly includes trade receivables from third-party customers, amounting to 10,316 thousand euro, net of an allowance for receivables of 2,808 thousand euros, as well as receivables from the parent company of 1,374 thousand euros, tax receivables of 3,082 thousand euros, deferred tax of 1,758 thousand euros and receivables from others of 11,205 thousand euros.

Trade receivables from customers receivable during the year relate to receivables from ordinary sales transactions and are mainly to domestic customers. For these receivables, which are expected to be recovered on normal commercial terms, the Company did not use the amortised cost measurement method.

It should be noted, however, that during the first month of 2021 the Company collected about 10% of total receivables from customers.

The increase in the Allowance for Loans in the year is due to the appropriation made during the year to adjust the value of the receivables to their assumed realisable value against receivables no longer receivable or partially received.

The movement of the fund is shown in the following table (values in units of euro):

	31.12.2020	31.12.2019
Value at the beginning of the period	1.982.931	2.232.661
Provision for the year	824.832	
Use		349.730
Value at the end of the period	2.807.763	1.982.931

Amounts receivable from customers shall be fully payable within the following financial year.

The receivables from the parent companies result in the reversal of costs incurred in the interest of Loncin Motor Co. Ltd., in addition to the last tranche of the amount that Loncin has granted to the Company for the temporary transfer of know-how of the CMD to the Company, of which euro 450mila already cashed at the date of this document. The remaining part of the credit will be collected by 30 June 2021, as per the agreement signed between the parties.

The item tax credits mainly includes the VAT credit resulting at the end of the year 2020 (€1,165,000) and the tax credit resulting from the cd. R&D bonus (€1,508 thousand) from research projects best described in the management report.

Deferred tax receivables comprise taxes related to positive or negative income items respectively subject to taxation or deduction in periods other than those relating to civil accounting. Deferred taxes are recognised in accordance with the principle of prudence if there is reasonable certainty that they will be incurred in periods in which they will be subject to taxable income not less than the amount of the differences that will be reversed.

The item receivable from others is detailed in the following table:

Details	At the beginning of the period	increase	decrease	At the end of the period	Variaz. assoluta	Variaz. %
Receivables for Grants	8.027.138	3.686.416 -	1.050.375	10.663.179	2.636.041	33%
Financial receivables	0	36.574 -	19.033	17.541	17.541	100%
Other Receivables	232.094	843.466 -	551.000	524.560	292.466	126%
<b>Tot</b>	<b>8.259.232</b>	<b>4.566.456</b>	<b>-1.620.408</b>	<b>11.205.280</b>	<b>2.946.048</b>	<b>36%</b>

The change in receivables from others is mainly attributable to the collection of receivables from ministries and regions for contributions of Euro 1,050 thousand and to the increase in receivables from public bodies for contributions of 3,686 thousand, as a result mainly of the Development Contract initiated by the Company, as more fully described in the Report on Management of the Financial Statements for 2020.

In particular, the following is the breakdown of the receivables from public bodies for grants at 31 December 2020:

- Total Euro 10,132 thousand in Credits to Ministries;
- Receivables from regions totalling Euro 531 thousand.

Finally, receivables from others, totalling Euro 542 thousand, mainly include payments on account to suppliers for the processing of Euro 44 thousand, INAIL credit for Euro 72 thousand and credit for CIGO-COVID19 for Euro 119 thousand.

### Current loans and receivables variations and expiration date

Information related to current loans and receivables variations and expiration date, should it be important, are described in following scheme:

	Value at the beginning of the period	Variations during the period	Value at the end of the period	Due within 12 months	Value at the beginning of the period
Trade Receivables	11.998.924	(1.683.043)	10.315.881	10.315.881	-
Parent company receivables	323.744	1.050.000	1.373.744	1.373.744	-
Tax Credit	2.011.576	1.070.650	3.082.226	1.845.903	1.236.323
Prepaid taxes	986.226	771.737	1.757.963	-	-
Other Receivables	8.259.232	2.946.048	11.205.280	11.205.280	-
<b>Total Amount</b>	<b>23.579.702</b>	<b>4.155.392</b>	<b>27.735.094</b>	<b>24.740.808</b>	<b>1.236.323</b>

### Subdivision of current loans and receivables shared by geographical area

The geographical allocation for current loans and receivables is described in the following scheme.

Geographical partition	Trade Receivables	Parent company receivables	Tax Credit	Prepaid taxes	Other Receivables	Total receivables in Current Assets
Italy	10.035.509	-	3.082.226	1.757.963	11.205.280	26.080.978
UE	132.023	-	-	-	-	132.023
Europe extra UE	-	-	-	-	-	-
Rest of the world	148.349	1.373.744	-	-	-	1.522.093

Geographical partition	Trade Receivables	Parent company receivables	Tax Credit	Prepaid taxes	Other Receivables	Total receivables in Current Assets
<b>Total amount</b>	<b>10.315.881</b>	<b>1.373.744</b>	<b>3.082.226</b>	<b>1.757.963</b>	<b>11.205.280</b>	<b>27.735.094</b>

## liquid funds

Cash and cash equivalents totalled 5,595 thousand euros (14,909 thousand euros at the end of last year) and consist entirely of bank overdrafts.

There are no restrictions on bank availability.

The following table provides information on changes in cash equivalents.

	Value at the beginning of the period	Variations during the period	Value at the end of the period
Bank and post office deposits	14.908.826	(9.314.054)	5.594.772
Cash and valuables on hand	2.528	(2.029)	499
<b>Total Amount</b>	<b>14.911.354</b>	<b>(9.316.083)</b>	<b>5.595.271</b>

The reduction in cash is mainly due to the payment of advances on investments made during the year 2020.

## Accruals and deferrals

Accruals and deferrals have been calculated on the basis of the accrual principle, by allocating revenues and / or costs common to two fiscal years.

The existence or permanence of the time condition has been verified in the registration as well as in the review of long-term prepaid expenses.

The following scheme shows the information about changes in accrued income and prepaid expenses.

	Value at the beginning of the period	Variations during the period	Value at the end of the period
Prepaid Expenses and Accrued Income	1.169.803	(247.730)	922.073
<b>Total Prepaid Expenses and Accrued Income</b>	<b>1.169.803</b>	<b>(247.730)</b>	<b>922.073</b>

The change in income compared to the previous year mainly results from the absorption of the shares pertaining to the year of the maxi-rent of current leases, of tax instalments, the ancillary charges incurred for the bond issue on the bond market, such as legal and other charges associated with the issue of the bond, and deferred over the maturity period of the bond loan to which reference is made, in addition to the absorption of operating-time insurance costs and charges for borrowing, deferred over the term of the loan.

At the reference date of the year there are over-five-year accrued income for 140 thousand euro.

## Capitalised borrowing costs

All interest and other financial charges were fully spent in the year. For the purposes of art. 2427, c. 1, n. 8 of the Italian Civil Code therefore confirms that there are no capitalisations of borrowing costs.

## Notes, liabilities and equity

The items of equity and liabilities in financial statements have been recorded in accordance with national accounting standards; in the sections related to the individual items, the criteria specifically applied are indicated.

The movements of each balance sheet items are analyzed in detail, according to the provisions of current legislation.

## Equity

Shareholders' equity at the end of the year amounted to Euro 43,661 thousand (Euro 42,001 thousand in the previous year).

The items are presented at their book value in accordance with CIU 28 accounting policy.

### Equity changes

For the year ending, the following tables show the changes in the individual items of equity, as well as details of other reserves, if present in the financial statements.

The main change compared to last year is represented by the allocation of the profit of the previous year to the legal reserve pursuant to art. 2430 c.c. and for the remainder of the extraordinary reserve.

The other change results in the allocation of the reserve to cover the expected cash flows for the signing of two derivative contracts with Banco BPM and Intesa Sanpaolo Spa to cover the associated interest risk 50% pool debt with Intesa San Paolo and Banco BPM, as indicated below. The signing of these new derivative contracts was carried out on 10/02/2020 with both institutions, with a value equal to the notional of 1,200 thousand euro each in line with the underlying transaction in the pool with a total value of 2,400 thousand euro with a maturity of 04/12/2029. The bank parameter is the 3-month Euribor, the customer parameter is 0.0390%. This instrument has been designated as a hedging financial instrument (according to the indications provided by CIU 32 - Financial derivatives). As the conclusion was concluded on 10/02/2020, the fair value of the derivative was recognised, as per previously stated accounting policies, in a dedicated equity reserve (in AVII item "Provision for hedging expected cash flows") the counterpart of which will be a provision for risks in B 3 "financial derivatives liabilities" of the same amount, as the mark to market at year end 2020 has a negative value.

	Value at the beginning of the period	Other variations - Increase	Other Variations – Decrease	Net income (loss) for the accounting period	Value at the end of the period
Share capital	16.829.887	-	-	-	16.829.887
Share premium reserve	11.872.768	-	-	-	11.872.768

	Value at the beginning of the period	Other variations - Increase	Other Variations – Decrease	Net income (loss) for the accounting period	Value at the end of the period
Legal reserve	573.911	27.869	-	-	601.780
Statutory reserves	34.623	-	-	-	34.623
Payments for capital increase	1.490.730	-	-	-	1.490.730
Other reserves	10.641.698	529.519	4	-	11.171.213
Total other reserves	12.132.428	529.519	3	-	12.661.944
Reserve for hedging of expected cash flows	-	-	63.866	-	(63.866)
Fiscal year profit (loss)	557.388	(557.388)	-	1.723.829	1.723.829
<b>Total amount</b>	<b>42.001.005</b>	<b>-</b>	<b>63.870</b>	<b>1.723.829</b>	<b>43.660.964</b>

### Other reserves (details)

Description	Amount
Reserve Incomes	10.261.148
Reserve Rounding (€)	(4)
Reserve Fund PIA 298 II bando	375.227
Reserve Fund PIA 299 II bando	534.843
<b>Tot</b>	<b>11.171.214</b>

All subscribed shares were paid in full.

### Equity availability and use

The following tables contain an analytical breakdown of the items of shareholders' equity, specifying their origin, their possibilities for use and distribution, and their use in the preceding three financial years.

Description	Amount (€)	Kind	Possibility of use	Share available
Share capital	16.829.887	Capitale	B	-
Share premium reserve	11.872.768	Capitale	A;B	11.872.768
Legal reserve	601.780	Utili	A;B	601.780
Statutory reserves	34.623	Utili	A;B;C	34.623
Payments for capital increase	1.490.730		A;B	1.490.730
Other reserves	11.171.214	Utili	A;B;C	11.171.214
Total other reserves	12.661.944	Capitale		12.661.944

Description	Amount (€)	Kind	Possibility of use	Share available
Provision to hedge expected cash flows	(63.866)	Capitale		-
<b>Total amount</b>	<b>41.937.136</b>			<b>25.171.115</b>
Share not available				25.171.115
Residual share available				-
Legend: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory restrictions; E:Other				

### Origin, possibility of use and distribution of the various other reserves

Description	Amount	Kind	Possibility of use	Description
Reserve Incomes	10.261.148	Utili	A;B	10.261.148
F.DO RIS. PIA298 II°BANDO	375.227	Capitale	A;B	375.227
F.DO RIS. PIA299 II°BANDO	534.843	Capitale	A;B	534.843
Reserve Rounding (€)	(4)	Capitale		-
<b>Totale</b>	<b>11.171.214</b>			<b>-</b>
Legend: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory restrictions ; E: Other				

### Changes in the hedging reserve for planned financial transactions

Pursuant to art. 2427-bis, paragraph 1b-quarter of the Italian Civil Code, the following table shows the movements in fair value reserves during the period.

	Changes during the year - Decrease due to change in fair value	Value at the end of the period
Reserve for hedging of expected cash flows	63.866	(63.866)

L'art. 2426, point 11-bis c.c., as amended by Legislative Decree no. 139/2015 implementing Directive EU 34/2013, requires, in line with international accounting standards, the entry in the financial statements of derivative financial instruments subscribed by the company, depending on whether their fair value is positive or negative, among the assets or liabilities of the balance sheet.

In particular, it should be noted that if the instrument hedges the risk of changes in the expected cash flows of another financial instrument or forecast transaction (cash flow hedge) the fair value of the derivative is allocated directly to an ad hoc equity reserve established.

The change of 64 thousand euro results in the allocation of the reserve for hedging the expected cash flows for the signing of two derivative contracts concluded with Banco BPM and Intesa Sanpaolo Spa to cover the associated interest risk 50% pool debt with Intesa San Paolo and Banco BPM, as indicated below. The signing of these new derivative contracts was carried out on 10/02/2020 with both institutions, with a value equal to the notional of 1200 thousand euro each one in line with the underlying transaction in pool with a total value of 2400 thousand euro with a maturity of 04/12/2019. The bank parameter is the 3-month Euribor, the customer parameter is 0.0390%. This instrument was designated as a hedging financial instrument ( according to the indications provided by CIU 32 - Financial derivatives). Since the conclusion was

concluded on 10/02/2020, the fair value of the derivative was recognised as per the accounting policies indicated above, in a special reserve of equity (in AVII item "Provision for hedging expected cash flows") the counterpart of which will be a provision for risks in B 3 "financial derivatives liabilities" of the same amount, as the mark to market at year end 2020 has a negative value.

Further details on the individual items of equity are given below.

The share capital is fully subscribed and paid up. It is divided into 16,829,887 ordinary shares with a nominal value of one euro. The Company has opted for the dematerialisation of shares.

The composition of the share capital is as follows:

DESCRIPTION	IMPORTO
Shareholders payments	11.819.642
Incomes	925.685
Revaluation reserves (L. 2/2009)	3.000.000
Reserve (Art. 32 L. 219/1981)	1.084.559
<b>Total amount</b>	<b>16.829.887</b>

The capital account is held by the shareholder Mariano Negri.

The surcharge reserve of the shares is subject to the obligation referred to in art. 2431 of the Italian Civil Code.

The legal reserve is subject to the obligation of art. 2430 c.c.

The statutory reservation derives from the registration as a result of a text of the statute no longer in force.

The distribution of profits is subject to the obligation of art. 2426, paragraph 1, n. 5), for an amount of 14,208 thousand euro.

As noted above, the Company has benefited from the possibility granted by art. 60, paragraphs 7-bis to 7-quinquies, of D.L. 104/2020.

Against the tax deduction of the same, limited to tangible and intangible assets, deferred taxes were allocated.

The civil amount of amortisation not set aside in the financial statements is € 7,309,889, therefore the related constraint will be placed, when the financial statements for 2020 are approved, on the following items of equity:

Depreciation not set aside		
B 10 a)	Intangible fixed assets	4.649.096
B 10 b)	Tangible fixed assets	2.660.793
<b>Totale</b>		<b>7.309.889</b>

Constraint art. 7- <i>quater</i> d.l. 104/2020	
Depreciation not set aside	7.309.889
Earnings provision reserve	7.309.889

The following tables illustrate the effect on the balance sheet of non-depreciation:

STATEMENT OF THE FINANCIAL POSITION (art. 2424 c.c.)	Without amortizations	With amortization	difference
<b>Attivo</b>			
B) Fixed assets			
I – Intangible Fixed Asset			
1) Installation and extension costs	132.412	85.000	47.412

STATEMENT OF THE FINANCIAL POSITION (art. 2424 c.c.)	Without amortizations	With amortization	difference
2) Development costs	14.075.764	9.845.826	4.229.938
3) Industrial patent rights and intellectual property rights	550.977	308.438	242.539
4) Concessions, licences, trademarks and similar rights	247.676	122.165	125.511
7) Other	12.878	9.182	3.696
Total intangible fixed assets	15.019.707	10.370.611	4.649.096
1) Land and buildings	12.760.105	12.552.836	207.269
2) Machinery and equipment	16.741.065	15.668.872	1.072.193
3) Industrial and commercial equipment	6.980.351	5.694.580	1.285.771
4) Other goods	467.290	376.731	90.559
Total tangible fixed assets	48.929.872	46.269.079	2.660.793
Total fixed assets (B)	64.095.019	56.785.129	7.309.889
<b>C) Current Assets</b>			SI
5-ter) Deffered taxes	1.757.963	2.785.415	(1.027.451)
Due within the following financial year	1.757.963	2.785.415	(1.027.451)
<i>Total credits</i>	27.443.167	28.470.618	(1.027.451)
<i>Total current assets (C)</i>	50.010.220	51.037.671	(1.027.451)
<i>Totale attivo</i>	115.027.312	108.744.874	6.282.438
<b>Passivo</b>			
<b>A) Owners' Equity</b>	<b>43.660.969</b>	<b>38.285.323</b>	5.375.646
IX –Net income of the year	1.723.829	(3.651.817)	5.375.646
Profit (loss) for the period	1.723.829	(3.651.817)	5.375.646
<i>Totale owners' equity</i>	43.660.969	38.285.323	5.375.646
<b>B) Provisions for risks and charges</b>			
2) for taxes, whether or not deferred	837.230		837.230
<i>Total provisions for risks and charges</i>	901.096	63.866	837.230
<b>D) Payables</b>			
12) tax debts	4.329.479	4.259.918	69.562
Due within the following financial year	1.624.595	1.555.033	69.562
<i>Totale debits</i>	57.032.214	56.962.653	69.562
<i>Totale passivo</i>	115.027.312	108.744.874	6.282.438

Income statement	Without amortization	With amortization	difference
<b>B) Production Costs</b>			
a) depreciation of intangible fixed assets	-	4.649.096	(4.649.096)
b) depreciation of tangible fixed assets	-	2.660.793	(2.660.793)
<i>Total amortization and impairment losses</i>	2.058.478	9.368.367	(7.309.889)
<i>Total production costs</i>	22.399.844	29.709.733	(7.309.889)
<b>A-B) Operating Gross Margin</b>	<b>3.323.395</b>	<b>(3.986.494)</b>	7.309.889

<b>EBT – Earnings before taxes (A-B+/-C+/-D+/-E)</b>	<b>2.398.072</b>	<b>(4.911.817)</b>	7.309.889
<b>20) Income Taxes (current, deferred, prepaid)</b>			
Current Income Taxes	69.562	-	69.562
Deferred and prepaid income taxes	(65.493)	1.799.188	(1.864.681)
<i>Total of Income Taxes (current, deferred, prepaid)</i>	<i>674.243</i>	<i>(1.260.000)</i>	1.934.243
<b>21) Net income of the year</b>	<b>1.723.829</b>	<b>(3.651.817)</b>	5.375.646

## Provisions for risks and charges

The provisions for risks and charges have been allocated to cover liabilities the existence of which is deemed certain or probable, for which the amount or date of occurrence cannot be determined at the end of the reporting period.

The constitution of the funds was carried out according to the principles of prudence and competence, complying with the requirements of accounting standard OIC 31. Related provisions are recognised in profit or loss for the period under consideration, on the basis of the "nature" of costs.

Information on changes in provisions for risks and charges is presented in the following table.

The change of 64 thousand euro results in the allocation of the reserve to cover the expected cash flows for the signing of two derivative contracts concluded with Banco BPM and Intesa Sanpaolo Spa to cover the associated interest risk 50% pool debt with Intesa San Paolo and Banco BPM, as indicated below. The signing of these new derivative contracts was carried out on 10/02/2020 with both institutions, with a value equal to the notional of 1,200 thousand euro each in line with the underlying transaction in the pool with a total value of 2,400 thousand euro with a maturity of 04/12/2029. The bank parameter is the 3-month Euribor, the customer parameter is 0.0390%. This instrument has been designated as a hedging financial instrument (according to the indications provided by CIU 32 - Financial derivatives). As the conclusion was concluded on 10/02/2020, the fair value of the derivative was recognised, as per previously stated accounting policies, in a dedicated equity reserve (in AVII item "Provision for hedging expected cash flows") the counterpart of which will be a provision for risks in B 3 "financial derivatives liabilities" of the same amount, as the mark to market at year end 2020 has a negative value.

The provision to the deferred tax fund of €837 thousand follows from the tax deduction (€3,001 thousand) of depreciation and amortisation not covered by the balance sheet.

Pursuant to paragraph 7-quinquies of Article 60 of Law No. 126 of 13 October 2020, companies that have used the derogation can proceed with the deduction of depreciation (obviously of those deductible according to the Consolidated Income Tax Act) for both Ires and IRAP purposes, irrespective of whether they are booked to the profit or loss account. As a result of this, the Company, choosing to proceed with the deduction of depreciation and amortisation not recorded in profit or loss, in accordance with OIC Accounting Standard 25 "Income Taxes" recorded the related deferred taxes.

	Value at the beginning of the period	Variations during the period - Use	Variations during the period - Total
Provisions for taxes, whether or not deferred	837.230	837.230	837.230
Financial derivatives liabilities	63.866	63.866	63.866
<b>Total amount</b>	<b>901.096</b>	<b>901.096</b>	<b>901.096</b>

## Employee Termination Indemnities (TFR)

The TFR was calculated in accordance with art. 2120 of the Civil Code, taking into account the legal provisions and the specificities of contracts and professional categories, and includes the annual shares accrued and revaluations carried out on the basis of the ISTAT coefficients.

The amount of the fund is recognised net of the payments on account and of the shares used for terminations of the employment relationship occurred during the year and represents the certain debt to employees at the balance sheet date.

Termination of employment is recognised as a liability of EUR 407 thousand (EUR 429 thousand in the previous year).

The following table provides information on changes in end-of-employment treatment.

	Value at the beginning of the period	Variations during the period - Provision	Variations during the period - Use	Variations during the period - Total	Value at the end of the period
Employee Termination Indemnities (TFR)	406.901	5.018	5.492	(474)	406.427

## Payables

The payables were recognised in the financial statements according to the amortised cost method, as defined by art.2426 c.2 of the Italian Civil Code, taking into account the time factor, in accordance with art. 2426, paragraph 1, No. 8 of the Italian Civil Code. For debts for which the application of the amortised cost method and/or discounting has been verified as irrelevant, for the purpose of providing a true and fair representation of the company's financial position and income, the entry according to nominal value has been maintained. This was the case, for example, with debts falling due in less than 12 months or, with reference to the amortised cost method, where transaction costs, commissions and any other difference between the initial value and the maturity value are of minor importance or, again, in the case of discount, in the presence of an interest rate which can be deduced from the contractual terms and conditions and which is not significantly different from the market interest rate.

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

### Payables' variations and expiries

The following table sets out information on changes in debt and any information on the maturity of debt.

	Value at the beginning of the period	Variations during the period	Value at the end of the period	Due within one year	Due after one year
Bond	5.984.000	-	5.984.000	5.984.000	-
Shareholder loan	1.881.000	3.753.681	5.634.681	-	5.634.681
Banks	17.370.202	8.014.186	25.384.388	2.812.477	22.571.911
Other financiers	6.249.389	(2.926.737)	3.322.652	3.316.705	5.947
Advances	278.562	1.231.517	1.510.079	1.510.079	-
Trade payables	12.714.413	(3.827.934)	8.886.479	8.886.479	-
Parent Company	390.000	-	390.000	390.000	-
Taxes	4.633.188	(303.708)	4.329.480	1.397.862	2.931.618
Provident and social security institutions	553.381	(105.952)	447.429	447.429	-
Others	1.037.985	105.042	1.143.027	1.143.027	-
<b>Total amount</b>	<b>51.092.120</b>	<b>5.940.095</b>	<b>57.032.215</b>	<b>25.888.058</b>	<b>31.144.157</b>

At the end of the year, debts to banks with a residual maturity of more than five years for 10,713 thousand euro are recorded in the balance sheet.

The bonds relate to the issue of a bond (hereinafter also Minibond or Bond) with a duration of 6 years and 6 months from the date of issue of 30/06/2015, with maturity at 31/12/2021, issued at the nominal annual gross fixed rate of 5% (in respect of accruals of interest after the balance sheet date) to be paid in arrears on a half-yearly basis on 30 June and 31 December of each financial year.

The shares have been subscribed by AMUNDI (formerly Pioneer) and are listed on the Extramot Pro3 market managed by Borsa Italiana Spa.

It should also be noted that on 28/03/2019 the Company received additional Euro 3,040 thousand following the issue of new bonds (n.38 non-convertible fixed-rate bonds with a nominal value of 80 thousand each). The total nominal amount of the Loan amounts to Euro 7,040 thousand.

The Minibond is, therefore, amortising with 42 months of pre-ammortamento (instead of the previous 36 months); the reimbursement in 4 increasing annual instalments starting from 31/12/2018, with the payment of the first instalment of Euro 1,000 thousand plus interest. Following AMUNDI's resolution of 7 March 2019, the remaining 2 Repayment Instalments from 31 December 2020 until the expiry date (inclusive) have been modified as shown in the following table:

EXPIRY DATE	AMOUNT
31/12/2020 (*)	1.584thousand euro
31/12/2021	4.400thousand euro

As a consequence of the emergency COVID-19, with communication of 21 December 2020, Amundi SGR S.p.A. made the following main changes to the Rules of the Minibond previously approved:

(i) amendment to the planned depreciation plan in order to postpone payment of the instalment originally due on 31 December 2020 to 20 June 2021; (\*)

(ii) amend Article 15 (Financial Covenants), providing for the disapplication of the Financial Parameters at the Calculation Date which falls on 31 December 2020.

In this regard, it is noted that on 31/12/2020 the interest accrued during the second half of 2020 was paid for an amount of Euro 150 thousand.

In view of the above, therefore, the total nominal amount of the Loan, as of December 31, 2020, is Euro 5,584 thousand.

Since 2015, the Company has been the subject of a public rating by Cerved Rating Agency. On the date of 03/08/2020 Cerved confirmed the rating B 1.2 of Costruzioni Motori Diesel S.p.A.

The debts to shareholders for loans of Euro 5,635 thousand, are analyzed in the appropriate paragraph of this document.

The debts to short-term banks, of approximately Euro 2,812 thousand, refer to the short-term portion of the loans that the company has outstanding at 31.12.2020.

As is well known, art. 56 DL 18/2020 ("Cura Italia"), issued following the epidemiological emergency resulting from the spread of COVID-19, provided for a moratorium on the payment of funding, loans and leases to Italian companies in order to support them in view of the temporary lack of liquidity. Although this government measure was aimed only at small and medium-sized enterprises (Smes) and self-employed with VAT, the Company, thanks to the work carried out by the management and the relationship of trust and collaboration with all credit institutions, has obtained the same moratorium, and beyond, provided by the DL "Cura Italia" for the payment of instalments due of all loans and leases in progress at the date of issuance of the same.

With the enactment of the Decree Law 8 April 2020 n. 23 called "Decree Liquidity", the Italian Government, continuing in the path of support to the productive system of the country undertaken with the adoption of the D.L. n. 18 of 16 March 2020 (Decree Cura Italia) introduced further measures to support, even more vigorously and more widely, companies damaged by the disastrous effects caused by the epidemiological crisis as a result of COVID. In the case of Amendment No 19, the purpose of which is to ensure liquidity flows in favour of undertakings with a view to maintaining their operations, with a view to the resumption of operations. Article 1 of the aforementioned Decree-Law introduces, among other

measures, temporary measures to support the liquidity of companies by facilitating access to credit backed by the guarantee of the Guarantee Fund 662/96 for an amount of 90%, in particular, to companies with a turnover of 1.5 billion euros.

Pursuant to the aforementioned DL "Decreto Liquidità", it should be noted that the Company, on 24/09/2020, entered into a financing agreement with Banca Generali for the total amount of 2.6 million euro, guaranteed MCC, at the nominal annual rate of 1,6%, of duration of 60 months with bimonthly reimbursement starting from 10/12/2021. In this regard, it should be noted that on 31/12/2020 all payments are in line with the amortisation plan for this financing.

On 23/09/2020, the Company entered into a financing contract with Banca Progetto Spa for the total amount of €3 million, guaranteed by SACE, at the annual nominal rate of 4.75%, with a duration of 72 months with quarterly repayment starting from 30/06/2021. This new loan extinguished the previous loan agreement with the same credit institution during the 2019 financial year with a balance of €765,000 at the date of repayment of the same.

In this regard, it should be noted that on 31/12/2020 all payments are in line with the amortisation plan for this financing.

On 07/10/2020, the Company entered into a financing contract with MPS for the total amount of €2.5 million, guaranteed by SACE, at the annual nominal rate of 2.95%, with a duration of 72 months with quarterly repayment starting from 31/12/2020. In this regard, it should be noted that on 31/12/2020 all payments are in line with the amortisation plan for this financing.

On 18/11/2020, the Company entered into a financing contract with BCC-ICCREA for the total amount of €1.9 million, guaranteed by MCC, at the annual nominal rate of 2.95%, with a duration of 60 months with monthly repayment starting from 30/11/2021. In this regard, it should be noted that on 31/12/2020 all payments are in line with the amortisation plan for this financing.

In order to pursue its plan of productive investments and research and development linked to the Development Contract, within which will be granted, at a state of progress, the Subsidized Financing and Grants, that will allow you to develop the Avio business unit, ensuring appropriate differentiation and an increasingly international opening of your business, more precisely described in the Report on Management at the 2020 Financial Statements, the Company on 04/12/2019 signed two financing contracts:

- Financing contract "Capex line";
- Financing contract "R&D Line".

The first contract was signed between the Company and a pool of banks, Intesa Sanpaolo Spa, Mediocredito Centrale Spa and Banco BPM Spa, SACE as guarantor of the transaction and Banca IMI as agent bank, in order to find the resources to finance its industrial development plan to supplement the Subsidized Financing and the Non-repayable Contribution provided for in the Development Contract. The financing has the characteristics of a long-term credit line (Capex) for a maximum total amount not exceeding Euro 7,064,961, to be returned in quarterly instalments starting from 31/12/2022 at a rate of 2.85% + 3-month Euribor. At the date of this document, Euro 4,060 thousand were paid out (of which 2,400 thousand already in 2019), the remaining part will be disbursed as a result of the reports presented under the Development Contract.

The second contract was signed between the Company and Intesa Sanpaolo (Equiter) in order to grant the Company a loan from the EIB/MIUR Research and Innovation Fund for the implementation of the research and development project, for a maximum total amount not exceeding Euro 8,397,872, to be returned in quarterly instalments starting from 31/12/2021, at the fixed annual nominal rate of 0.67%.

Following the conclusion of the above-mentioned financing contracts, the Company published, in February 2020, two derivative contracts aimed at hedging the interest risk associated with the 50% new debt pool with Intesa Sam Paolo and Banco BPM mentioned above. The signing of these new derivative contracts was carried out on 10/02/2020 with both institutions, with a value equal to the notional of 1,200 thousand euro each in line with the underlying transaction in the

pool with a total value of 2,400 thousand euro with a maturity of 04/12/2029. The bank parameter is the 3-month Euribor, the customer parameter is 0.0390%. This instrument has been designated as a hedging financial instrument (according to the indications provided by CIU 32 - Financial derivatives. Therefore, the Fair Value of the derivative was recognised, in accordance with previously disclosed accounting policies, in a dedicated equity reserve (in AVII item "Provision to hedge expected cash flows") whose counterpart is a provision for risks in B 3 "financial derivatives liabilities" of the same amount, since the mark to market at year-end 2020 has a negative value for both, as previously indicated.

Payables to other lenders refer mainly to the debt to the factoring company GROUPAMA inherent in the sale "pro solvendo" of turnover produced with customers as FPT Industrial.

The item on account mainly includes advances received from customers relating to a preliminary sale of the property of Morra de Santis scheduled in 2021, in addition to payments on supplies of goods and services provided under the contract.

Payables to suppliers relate to transactions of a commercial nature in normal payment periods, all due by the end of the year. Therefore, the Company did not use the depreciated cost method for these debts.

The debts to the parent companies cover the costs of the staff seconded by Loncin Motor Co. Ltd to the Company.

The balance of tax liabilities relates mainly to debts arising from previous years in respect of which the Company has perfected instalment plans with the Revenue Agency, or with Equitalia. Alla data di redazione del presente documento tutti i piani di rateizzazione sono regolari nonostante la fase di contrazione economica come quella a cui il Paese sta andando incontro e la temporanea carenza di liquidità a causa delle conseguenze economiche dovute all'epidemia Covid-19.

In addition, it is recalled that as of December 31, 2019, the Company still has a tax credit of €1.9 million to be used, as compensation from the year following the year in which it was recognised.

The item payables to social security institutions consists of contributions payable to INPS and INAIL for the year ending, as well as debts arising from previous years; In this case, too, instalment plans have been finalised by taking over the corresponding accruals for interest and penalties from the balance sheet. Finally, it should be noted that payments are regular at the time of writing this document.

The details of the other debts are as follows:

Details	Amount
Employees (salaries, holidays and permits)	1.060.574
Board	75.363
Others	7.090
<b>Total Amount</b>	<b>1.143.027</b>

### Subdivision of payables by geographical area

The following table shows the breakdown of debts by geographical area.

Geographical partition	Bond	Payables to shareholders for loans	Banks	Other financiers	Advances	Trade payables	Parent Company	Taxes	Provident and social security institutions	Others	Total Debts
Italy	5.984.000	1.884.681	25.384.388	3.322.652	1.510.079	8.022.617	-	4.329.479	447.429	1.143.027	52.028.352
UE	-	-	-	-	-	860.624	-	-	-	-	860.624
Rest of the world	-	3.750.000	-	-	-	3.238	390.000	-	-	-	4.143.238
<b>Total</b>	<b>5.984.000</b>	<b>5.634.681</b>	<b>25.384.388</b>	<b>3.322.652</b>	<b>1.510.079</b>	<b>8.886.479</b>	<b>390.000</b>	<b>4.329.479</b>	<b>447.429</b>	<b>1.143.027</b>	<b>57.032.214</b>

### Debts secured by collateral guarantees on company assets

The following table, separately for each item, shows debts secured by collateral guarantees on company assets, with specific indication of the guarantees' nature:

	Debts assisted by mortgages	Debts secured by collateral	Debts not secured by collateral	Total
Bond	-	-	5.984.000	5.984.000
Shareholders loan	-	-	5.634.681	5.634.681
Banks	4.059.342	4.059.342	21.325.046	25.384.388
Other financiers	-	-	3.322.652	3.322.652
Advances	-	-	1.510.079	1.510.079
Trade payables	-	-	8.886.479	8.886.479
Parent Company	-	-	390.000	390.000
Taxes	-	-	4.329.480	4.329.480
Provident and social security institutions	-	-	447.429	447.429
Others	-	-	1.143.027	1.143.027
<b>Totale Payables</b>	<b>4.059.342</b>	<b>4.059.342</b>	<b>52.972.873</b>	<b>57.032.215</b>

The corporate assets on which the first degree mortgage registrations are made in favor of the pool of banks, consisting of Intesa San Paolo SpA, Mediocredito Centrale SpA and Banco BPM SpA, are represented by 3 plants with annexed appurtenant land located in:

- 1) Atella (PZ) - Vitalba Valley Industrial Zone snc.
- 2) Atella (PZ) - Industrial Zone "Vitalba Valley" Cartofiche locality.
- 3) Atella (PZ) - Industrial Area "Vitalba Valley" snc.

The overall book value of these assets is 7,608 thousand euros.

The mortgage contract expires on 04/12/2029.

## Loans made by of company's shareholders

During the year 2019, the Company received from its Italian shareholders an interest-bearing loan paid in proportion to the percentage of share capital, in response to the proposal for financing of members made by the Board of Directors of the Shareholders' Meeting of 4/11/2019 to better address the Company's current needs and financial needs, pending the receipt of the subsidised and non-repayable financial resources under the Development Contract.

On 11/02/2020, the Company also received from the Chinese shareholders an interest-bearing loan paid, in proportion to the percentages of participation in the share capital, in response to the proposal for financing of members made by the Administrative Body of the Shareholders' Meeting of 4/11/2019.

It should also be noted that all members are entitled to reimbursement, which will be one-off for each member no later than three years from the date of payment, unless further extension by the lender.

The loans made by the shareholders, and entered in item D.3) of the liabilities on the balance sheet, are to be considered subordinated to the satisfaction of the other creditors by express contractual clause even in the absence of the conditions referred to in art. 2467 of the Civil Code.

## Accruals and deferred income

Accruals and deferred income are recognised in liabilities for a total of Euro 13,027 thousand (Euro 11,449 thousand in the previous year).

Accruals were calculated on the basis of the accrual principle by allocating the costs and/or revenues common to two financial years.

In the registration as well as in the review of deferred income over several years, the existence or permanence of the temporal condition has been verified. Where this condition has changed, the appropriate changes have been made, which are shown below.

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

	Value at the beginning of the period	Variations during the period	Value at the end of the period
Accrued Expenses	8.749	150.270	159.019
Deferred Income	11.440.444	1.719.071	13.159.515
<b>Accrued Expenses and Deferred Income</b>	<b>11.449.193</b>	<b>1.869.341</b>	<b>13.318.534</b>

Accruals refer to accrued interest fees. At the end of the financial year there are no accruals of over five years' duration.

The accruals are all related to the settlement of the contributions on behalf of plants.

The change compared to last year derives partly from the absorption of the contributions due and partly from the increase in contributions and income from tax receivables recognised during the year but for annual periods future.

The following table shows the composition of the items in question, as they are shown on the balance sheet.

Description	Current fiscal year amount
Accrued charges	159.019
Deferred income Regione Basilicata	3.643.083
Deferred income Regione Campania	630.448

Description	Current fiscal year amount
Deferred income bonus Sud L. 208/2015	262.367
Deferred income bonus R&S D.L. 145/2013	2.706.989
Deferred income R&D project	5.624.700
Investment tax credit credit L. 160/2019	291.928
<b>Totale</b>	<b>13.026.606</b>

Accruals over five years are equal to 3,788 thousand euro.

## Notes, income statement

The income statement shows the economic outturn for the year.

It provides a representation of management operations, by means of a summary of the positive and negative components of income that have contributed to determining the economic outturn. The positive and negative components of income, entered in the balance sheet in accordance with Article 2425-bis of the Italian Civil Code, are distinguished according to their membership in the various operations: characteristic, ancillary and financial.

The characteristic activity identifies income components generated by transactions that occur on an ongoing basis and in the sector that is relevant to the performance of the management, which identify and qualify the distinctive and distinctive part of the economic activity carried out by the company for which it is intended.

The financial activity consists of transactions that generate financial income and expense.

As a residual asset, the ancillary asset consists of those transactions that generate income that are part of the ordinary activity but are not part of the characteristic and financial activity.

## Production value

The value of production amounts to 25,723 thousand euros (40,763 thousand euros at the end of last year).

the revenues of sale of the produced ones and the goods and/or of performance of the relative services to the characteristic management for 20.505 thousand euros (32.037 thousand euros last year) are found to clearly of returns, discounts, subsidies and prizes, and taxes directly linked to the sale of goods and the provision of services. The reduction in revenues during the year 2020, although in percentage terms in line with the reduction in turnover of companies belonging to the same production sector as CMD, is solely attributable to the development of the epidemic and the reduction in consumption in 2020 of this first year of the pandemic by COVID-19.

The item changes in inventories of work-in-progress, semi-finished and finished products totalling a decrease of 2,269 thousand euros (increase of 2,524 thousand euros at the end of the previous year) includes the quantitative changes in final inventories compared to the initial ones.

Item A4) Increases in fixed assets for internal works comprises capitalised costs which have generated increases in the assets side of the balance sheet in intangible fixed assets and relate to personnel costs involved in industrial development projects as described in the Report on the management of the present operating budget and the own-initiative construction of automated lines or interconnection systems in the context of projects initiated by the function "Automation Division" of the Machining BU in order to develop solutions for the optimization of processes through applied research and provide

operational support to the production units of CMD, exploiting the know-how that the same has developed, organized and monitored over the years, for a total of 3,088 thousand euro, compared to a value of 3,119 thousand euro last year.

Item A5) Other income and income comprises the following items:

Detail	2020	2019	Diff.	%
Other operating incomes	67.054	38.837	28.217	73%
Grants	2.407.736	1.656.018	751.718	45%
Extraordinary income	144.085	156.817	-12.731	-8%
Rent	188.785	192.617	-3.832	-2%
Extraordinary income tax exception (Bonus R&D)	1.414.752	1.020.872	393.880	39%
Bonus R&D	176.524	16.111	160.413	996%
Others	<b>4.398.937</b>	<b>3.081.272</b>	<b>1.317.665</b>	<b>43%</b>

The contributions are derived from accounting according to the cd. indirect method recommended by CIU accounting standards.

Also for the year 2020, the Company entrusted the task to the company ADVISOR Odr srls, qualified "Research Organization" ECC 2014/C198/01 consulting, assistance and validation of research and development activities preparatory to reporting for the purpose of obtaining the R&D Bonus dl 145/2013 in relation to the costs incurred by the Company during the years in carrying out research activities to which reference is made in Report on budgetary management.

#### Partition of revenues from sales and services by category of activity

The following table shows the partition of revenues from sales and services according to the categories of activities:

Activities	Value at the current year
Marine engines	1.806.550
Machining	14.998.134
Energy	422.602
Aviation	1.500.000
R&D	190.000
E-bike	1.280.890
Others	307.066
<b>Tot</b>	<b>20.505.242</b>

#### Partition of revenues from sales and services by geographical area

The following table shows the breakdown of revenues from sales and services according to geographical area:

CATEGORY	Italy	Rest of the world	UE	Total Amount
Machining	14.998.134	-	-	14.998.134
Marine engines	956.990	192.749	656.811	1.806.550

Energy	422.602	-	-	422.602
Aviation	-	1.500.000	-	1.500.000
R&D	190.000		-	190.000
E-Bike	1.280.890	-	-	1.280.890
Others	104.015	203.052	-	307.067
<b>Tot</b>	<b>17.952.631</b>	<b>1.895.801</b>	<b>656.811</b>	<b>20.505.242</b>

## Production costs

Costs and charges are charged on a accrual basis and in accordance with nature, net of returns, rebates, discounts and premiums, in accordance with the principle of correlation with revenues, and entered under the respective items in accordance with CIU accounting principle 12. With regard to purchases of goods, the related costs are recorded when the substantive and non-formal transfer of title has taken place, taking as a benchmark, for the substantive transfer, the transfer of risks and benefits. In the case of the purchase of services, the related costs are recorded when the service has been received, or when the service has been completed, while, in the case of continuous services, the related costs are recorded for the amount accrued.

Production costs amounted to 22,400 thousand euros, compared to a value of 38,750 thousand euros last year.

The costs for raw materials, consumables and consumables amounted to 10,470 thousand euro, compared to a value of 19,563 thousand euro in the previous year.

Item B7 comprises the costs arising from the acquisition of services in the course of the ordinary business of the undertaking and consists of the following items:

Details	2020	2019	Var. (€)	Var. %
Industrial Services	334.680	606.995	-272.315	-45%
Energy	443.949	774.152	-330.202	-43%
Transportation	315.956	359.458	-43.502	-12%
Consulting Services	234.745	396.281	-161.536	-41%
Board	389.496	655.524	-266.028	-41%
Fee on temporary works services	182.233	184.240	-2.007	-1%
Commercial services	90.178	194.141	-103.963	-54%
Financial consulting	97.877	90.088	7.788	9%
Bank services	462.398	418.683	43.715	10%
Insurance	157.376	104.564	52.812	51%
Seconded staff	27.065	188.705	-161.640	-86%
Others	393.487	470.694	-77.207	-16%
<b>Total amount</b>	<b>3.129.441</b>	<b>4.443.526</b>	<b>-1.314.086</b>	<b>-30%</b>

Item B8 includes for 349 thousand euro (429 thousand euro previous year) the costs for the enjoyment of tangible and intangible third-party assets. The prevailing amount (€116,000) refers to the leasing rentals.

Item B9, amounting to 6,706 thousand euros (8,341 thousand euros last year), includes the costs incurred during the year for employees, including temporary employment.

The reduction was due to the use of the ordinary redundancy fund which involved all CMD employees. It began on 16/03/2020 and currently still open until 27/03/2021.

Specifically, wages and salaries are recognised under item B9a and include accrued and unpaid contributions relating to additional months and accrued and unused leave before deductions for taxes and social security contributions payable by the employee; under item B9b, the costs to be borne by the undertaking, net of "fiscalised" amounts, under item B9c, provisions made in the period for the end of employment treatment and finally under item B9d, provisions made to supplementary pension funds other than TFR.

In compliance with the provisions of art. 2426 comma 1 n. 3 of the Italian Civil Code, since, at the end of the year, the industrial building located in Morra de Sanctis (AV) is durably of lower value than determined according to the purchase cost, it was considered appropriate to write down the remaining amount up to the value of 1,233 thousand euro. This impairment loss was recognised in profit or loss under item B10c) "other write-downs of fixed assets", as required by CIU 9.

Item B11 shows an increase in the value of inventories of raw materials, consumables, consumables and commodities of 1,520 thousand euro. Last year the positive change was 699 thousand euros.

The detail of item B14 Miscellaneous operating charges is as follows:

Details	2020	2.019	Var. (€)	%
Import charges	1.205	1.956-	752	-38%
Strd expenses	618.365	542.811	75.553	14%
Taxes	140.836	135.773	5.064	4%
Contractual penalties	391.487	17.013	374.474	2201%
Membership fees	32.538	39.700-	7.162	-18%
Others	21.668	57.588-	35.920	-62%
<b>Total amount</b>	<b>1.206.099</b>	<b>794.842</b>	<b>411.257</b>	<b>52%</b>

## Financial income and expenses

Financial income and charges are recorded on an accruals basis according to portion accrued during the year.

### Investment income content

There are no income from investments pursuant to art. 2425, n. 15 of the civil code.

### Allocation of interest and other financial charges by type of payable

The following table shows the interests and other financial charges pursuant to art. 2425, n. 17 of the Italian Civil Code, with specific subdivisions between those relating to bonds, bank debts and other cases.

	Bond	Banks	Other Financial Debt	Total Amount
Interest and other financial charges	299.203	410.732	235.139	945.074

### Foreign exchange gains/losses

The following is information on foreign exchange gains or losses by distinguishing the part realised from the part resulting from valuations of foreign currency assets and liabilities recorded in the financial statements at the end of the period.

Description	Amount stated in the financial statements	evaluative part	Part made
<i>foreign exchange gains and losses</i>	2.830		
Fx gains			2.830
Fx losses		-	-
<b>Totale voce</b>		-	<b>2.830</b>

### Value adjustments of financial assets and liabilities

No adjustments were made to the value of financial assets and liabilities.

### Amount and nature of the individual item of revenue / cost of exceptional entity or impact

The following table shows the amount and nature of the each revenue items of exceptional entity or impact.

### Current year, deferred and anticipated income taxes

The company allocated tax for the year on the basis of the tax rules in force. Current taxes refer to taxes for the year as shown in tax returns; taxes for previous years include direct taxes for previous years, including interest and penalties and are also related to the positive (or negative) difference between the amount due as a result of the definition of a dispute or an adjustment against the value of the provision set aside in previous years. Deferred and deferred taxes, finally, concern positive or negative income components respectively subject to taxation or deduction in periods other than those of civil accounting.

#### Deferred and prepaid taxes

This item covers the impact of deferred taxation on this budget. This is due to the temporary differences between the values attributed to an asset or liability according to civil law criteria and the corresponding values recognised for these elements for tax purposes.

The company determined the deferred tax with reference to IRES and IRAP.

Deferred and deferred taxes were calculated using the following rates respectively:

Aliquote	Es. n+1	Es. n+2	Es. n+3	Es. n+4	Oltre
IRES	24%	24%	24%	24%	24%
IRAP	3,9%	3,9%	3,9%	3,9%	3,9%

In the following tables, the following are given in detail:

- a description of the temporary differences which led to the recognition of deferred and deferred tax assets, specifying the rate applied and the changes compared to the previous year, the amounts credited or debited to profit or loss or to equity;

- the amount of deferred tax assets accounted for in the financial statements relating to losses in the financial year or in previous financial years and the reasons for the entry, the amount not yet accounted for and the reasons for the non-inclusion;

- the items excluded from the statement and the reasons therefor.

### Recognition of deferred and anticipated taxes and consequent effects

	IRES	IRAP
<b>A) Temporary differences</b>		
Total deductible temporary differences	3.998.482	1.233.646
Total taxable temporary differences	3.000.825	3.000.825
Net temporary differences	(997.657)	1.767.179
<b>B) Fiscal Effects</b>		
Deferred (Advance) Tax Funf at beginning of the period	(978.067)	(8.159)
Deferred (Advance) Tax during the period	(723.625)	68.920
Deferred (Advance) Tax Funf at the end of the period	(1.701.692)	60.761

### Detail of deductible temporary differences

Description	Amount at the end of previous period	Variations during the period	Amount at the end of the period	% IRES	IRES Fiscal Effect	% IRAP	IRAP Fiscal effect
IMU	81.318	48.434	129.752	24,00	31.141	-	-
ACE	418.265	425.511	843.776	24,00	202.506	-	-
operating losses	504.168	1.436.269	1.940.437	24,00	465.706	-	-
Administrative fees approved but not paid	16.250	81.250	97.500	24,00	23.400	-	-
Tax deductible for unpaid cash	28.828	5.581	34.409	24,00	8.258	-	-
Provision for direct credit risks and write-downs	1.833.866	767.791	2.601.657	24,00	62.439	-	-
Revalued depreciation of fixed assets L. 2/2009	209.205	-	209.205	24,00	50.209	3,90	8.159
Provisionally indeductible provisions	-	1.233.646	1.233.646	24,00	296.075	3,90	48.112

## Detail of deductible temporary differences

Description	Amount at the end of previous period	Variations during the period	Amount at the end of the period	% IRES	IRES Fiscal Effect	% IRAP	IRAP Fiscal effect
Depreciation not carried out (art. 60 d.l. 104/2020)	-	3.008.825	3.008.825	24,00	720.198	3,90	117.032

## Disclosure of tax losses

	Amount (e.g. current)	Tax rate (e.g. current)	Deferred tax assets (e.g. current)	Amount (e.g. previous)	Tax rate (e.g. previous)	Deferred tax assets recognised (e.g. previous)
<b>Tax losses</b>						
of the year	-			1.487.548		
of previous years	1.487.548			-		
<b>Total tax losses</b>	<b>1.487.548</b>			<b>1.487.548</b>		
Recoverable tax losses with reasonable certainty	1.487.548	-	357.012	1.487.548	24,00	357.012

Deferred tax was recorded as a result of the tax loss incurred during the tax period. The registration took place given the reasonable certainty of using in accordance with the rules contained in the T.U.I.R. in the next fiscal years the loss of the expected taxable profits.

The emergence of the tax loss was significantly affected by the contribution of R&D (D.L. 145/2013) and the resulting benefit to the patent box (L. 190/2014). In this regard it should be noted that, making specific reference to the Circ. 11/E of 7 April 2016 (par. 4.1.5), the intangible "know how" of the Automotive sector identified above can be defined as the technological ability to engineer and design the entire production process (including if necessary the appropriate production lines) of the product "engine" including related testing and prototyping. This intangible is originally held, as the result of the company's gradual evolution over thirty years, and is continuously fed, maintained and developed by significant and constant expenditure on studies and research as well as by the commitment of the Automation Division. Most of the information - and specifically those concerning the design and implementation of robotic islands - are currently incorporated into software programs already secreted and for which the Company is also in the process of seeking and obtaining appropriate legal protection.

For these reasons, the Company, during the 2019 financial year, pursuant to art. 4 of D.L. 30 April 2019, n.34 (cd. Decree growth), having presented at the end of the year 2018 the request for ruling, at the time mandatory in order to opt for the Patent Box, decided to "self-liquidate" directly the facility in question after appropriately: a) communicated to the Revenue Agency of the express waiver of the ruling request submitted at the time; b) communicated to the Revenue Agency of the preparation and possession of a documentation kit containing the information necessary for the aforementioned self-liquidation.

Depreciation, deducted but not budgeted in accordance with the above-mentioned legislation, has also had a significant impact on the determination of the tax loss.

## Notes, cash flow statement

The company has prepared a cash flow statement which represents the summary document including the changes occurred during the year in the company assets with changes in the financial situation; it highlights the values of the financial resources that the company needed during the financial year as well as the relative uses.

Regarding the used method, it is specified that the same has adopted, according to the provisions of the OIC 10, the indirect method according to which the flow of liquidity is reconstructed by adjusting the result for the year of non-monetary components.

## Notes to the financial statements, other informations

Following are other informations required by the Civil Code.

### Employment data

The following table indicates the average number of employees, subdivided according to category and calculated according the daily average:

	Senior management	Employees	Workers	Total staff
Average number	11	43	96	150

### Remunerations, down payments and receivables granted to directors and statutory auditors and commitments undertaken on their behalf

The following table shows the information required by art. 2427 n. 16 of the Civil Code, stating that there are no advances and receivables and no commitments have been made on behalf of the administrative body due to guarantees of any kind provided.

	Managers	Auditors
Remuneration	311.333	18.000

### Fees to the statutory auditor or auditing company

The following table shows the fees due to the auditing company, subdivided by type of services provided:

	Legal Annual Audit	Compensation to the statutory auditor or auditing company
Value	31.000	31.000

### Categories of shares issued by the company

The following prospectus shall indicate the number and nominal value of the company's shares, and any movements during the year.

	Initial Stock, Number	Initial Stock, Face Value	Shares subscribed in the period, number	Shares subscribed in the period, Face Value
Common stock	16.829.887	1	16.829.887	1
<b>Total</b>	<b>16.829.887</b>	<b>1</b>	<b>16.829.887</b>	<b>1</b>

## Bonds issued by the company

The company has not issued any bond or similar value including in the provision pursuant to art. 2427 n. 18 of the civil code.

## Details on other financial instruments issued by the company

The company has not issued other financial instruments pursuant to Article 2346, paragraph 6, of the Italian Civil Code.

## Commitments, guarantees and potential liabilities not shown on the assets and liabilities

Commitments arising from outstanding leasing contracts, including the option to exercise the right of surrender, shall be reported.

The breakdown of commitments in the table is as follows:

- instalments due in the following financial year: EUR 99000;
- instalments receivable after the following year 1,608 thousand euro (of which over five years 832 thousand euro)

	amount
Commitments	1.707.682
of which on quiescence treatment and similar	-
of which relative to subsidiaries	-
of which relative to affiliated undertakings	-
of which relative to parent undertakings	-
of which in respect of undertakings under the control of the parent companies	-

## Information on assets and financing for a specific business

### Assets dedicated to a specific deal

We hereby certify that at the closing date of the financial statements there are no assets for a specific business as per No. 20 of the art. 2427 of the civil code.

### Grants for a specific deal

We hereby certify that at the closing date of the financial statements there are no loans for a specific business as per no. 21 of the art. 2427 of the civil code.

### **Information on transactions with related parties**

Transactions with related parties were entered into during the year and were concluded on market terms, so no additional information is provided under current legislation.

### **Information on agreements not included in assets and liabilities**

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During the year no agreements were entered into assest and liabilities.

## Information on significant events occurring after the end of the financial year

With reference to point 22-quater of art. 2427 of the Italian Civil Code, please note the following.

CMD's intent for the year 2021 is to push strongly on sustainability and energy transition, focusing the expertise of each BU in the design of solutions for environmental protection.

The beginning of 2021 sees the municipal waste collection and transport sector convert to green: in January, in fact, after months of analysis and testing, was launched the first hybrid boat of the Veritas in Venice, while the hybridization of the compactor by Cosesco, a company based in Bari, is at the last step.

During the first days of March EASY VENT CF01, the lung fan made in CMD has finally obtained the certification. This is an R&D project of the CMD started during the first phase of the COVID-19 pandemic which ended in 2021 with the creation of a medical device to support ventilation through the supply of air (or air/oxygen mixture in a percentage varying from 21% to 60% adjustable by the health care provider) at finely calibrated pressures, in NON-INVASIVE mode, as better described in the Bialncio 2020 Management Report.

With regard to the Company's electronic department, the vehicle's remote tracking and data collection system, developed in collaboration with the University of Bologna, has acquired additional features compared to the first prototype that was presented at the end of 2020, but it is not yet finished: the intention is to continue to improve it with the inclusion of further innovative features.

Pursuant to the aforementioned DL "Liquidity Decree", it should be noted that the Company, on 08/02/2021, entered into a financing contract with AIGIS Banca for the total amount of 1 million euro, guaranteed SACE, at the nominal annual rate of 3,75%, of duration of 60 months with quarterly reimbursement from 30/09/2021.

On 19/03/2021, the Company received a further €254,000 of the M.I.U.R. project contribution "Innovative technologies for internal combustion engines with low environmental impact and high autonomy - TIMA".

## Companies that draw up the financial statements of larger/smaller companies of which it is a subsidiary

There are no cases referred to in art. 2427, numbers 22-quinquies and sexies of the Civil Code.

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## Information relating to financial derivative instruments ex art. 2427-bis of the Civil Code

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No financial derivative has been subscribed.

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## Summary statement of the financial statements of the company conducting management and coordination activities

Referred to art. 2497-bis c. 4 of the civil code, we certify that the company is not subject to the direction and coordination of others.

### Information ex art. 1, comma 125, regulation dated 4 August 2017 n. 124

In relation to the provision of art. 1, paragraph 125-bis, of Law 124/2017, on the obligation to disclose in the notes to the financial statements any sums of money received in the financial year as grants, contributions, remunerated assignments and, in any case, economic advantages of any kind from public administrations and from the subjects referred to in paragraph 125-bis of the same article, the Company certifies that during the year it received, or used tax credits, the net amounts shown in the table below.

DESCRIPTION	AMOUNT (EURO)
Contributo M.I.U.R. progetto “Tecnologie Innovative per Motori Aeronautici a combustione interna a basso impatto ambientale ed elevata autonomia – TIMA”	254.616

The Company also benefited from the aid listed in the State Aid Register.

### Proposal to allocate profits or to cover losses

Dear shareholders, In the light of the above, the administrative body proposes to allocate the operating profit as follows:

- Euro 86.191 to the legal reserve;
- Euro 1,637,638 to the extraordinary reserve

### Notes, final part

Dear Members, we confirm that this financial statement, composed of balance sheet, income statement, financial statement and notes, represents in a true and fair manner the financial position of the company, and the economic outturn for the financial year and corresponds to the accounting records. We therefore invite you to approve the draft budget at 31/12/2020 together with the proposal for the allocation of the operating result, as prepared by the administrative body.

The budget is true and real and corresponds to the accounting records

San Nicola La Strada (CE), xx/04/2021

The Board of Directors

Yong Gao, President

Mariano Negri, Director and Chief Executive Officer

Giorgio Negri, Councilor

Jingyu Huang, Councilor

# C.M.D. COSTRUZIONI MOTORI DIESEL S.P.A.

Legal Headquarters: Valle di Vitalba Industrial Area ATELLA (PZ)

Registered at the Business Register of POTENZA

Tax Code Registration Number: 05913290630

Registered at R.E.A. of POTENZA n. 78972

Capital share subscribed € 16.829.887,00 fully paid up

VAT no: 03326801218

C.M.D. COSTRUZIONI MOTORI DIESEL S.P.A.

## Management Report

*Financial Statements 31/12/2020*

Dear Shareholders, information regarding the company balance sheet as at 31/12/2019 has been given in Notes to Financial Statements; in this document, in accordance with art. 2428 of the Civil Code, we provide you with information related to the situation of your company and information on management trend. This report has been drafted with all values in Euros. It is a support to the financial statements to provide in income, assets, financial and management information also including historical details to aid assessments where possible.

### Company's informations

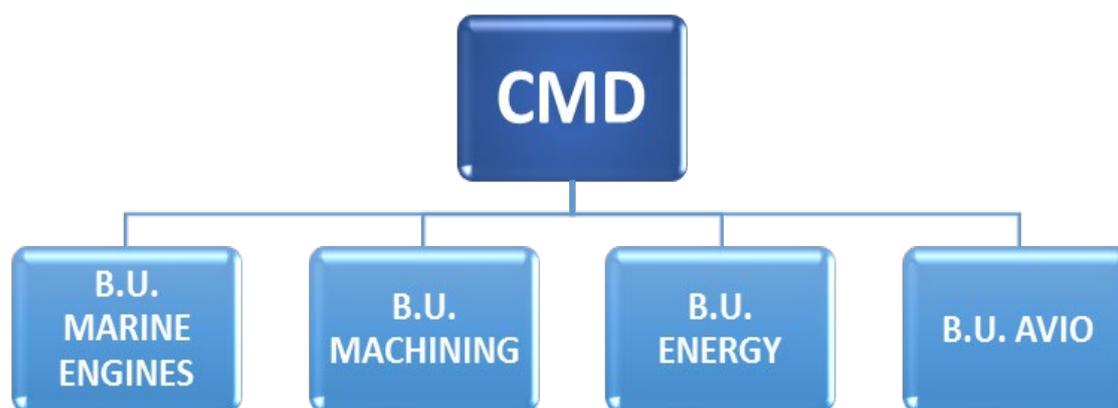
As you know, our company works in the mechanical engineering sector and is worldwide recognized as a leader in the development of high-tech diesel and gasoline engines, as well as the related components.

Company's business core is the ability to develop innovative products starting from a simple design, giving customer right support in all phases of product development and providing quick and reliable solution: from design to testing, to all is linked to series production.

Our company works in engineering, production and marketing services through the following Business Units:

- **BU Machining:** main company's core business, supported above all by success in the Industrial and Automotive sectors.
- **BU Marine Engines:** the company develops and manufactures engines for the marine sector distributed through the FNM brand.
- **BU Aviation:** focus of research and development of new projects related to the design and construction of engines, also for the Energy and Aviation segments; The realisation of products in the latter segment of the market has not yet had an impact in terms of turnover, but represents a further important factor of potential growth.
- **BU Energy:** this BU represents the new frontier of the company's development in the energy sector in which, over the years, it has expressed its full interest and potential by combining ideas, engine know-how and great flexibility in adapting their knowledge of the needs arising, creating a truly broad market perspective.

The five strategic business areas are shown in the diagram below:



The abovementioned areas, shared according to a divisional structure, are coordinated by the general management, supported by the administrative and financial area.

## Relevant facts

In view of the continuity of "core" activities and the pursuit of corporate objectives, despite setbacks and difficulties due to the pandemic by COVID-19, we report below some facts of particular relevance that it is useful to highlight to your attention.

The year closed, despite the pandemic from COVID-19, shows a profit of Euro 1,724 thousand. During the year, the Company continued to invest more than 15.5 million euros, of which 5.7 million euros in research and development and 10.6 million in the purchase of mainly plant and machinery, industrial equipment and economy work for the completion of two new CMD plants with the long-term aim of increasing the production capacity of the company, in relation to which investments are expected to make a major contribution to future profitability, in particular as part of the implementation of the Industrial Development Programme in progress (hereinafter also "Development Contract"), approved on 26/06/2018 by Invitalia for a total of 36.8 million euros, articulated in a Productive Investment Project (for 21.3 million euros) and a Research and Development Project (for 13.9 million euros) located in Basilicata, aimed at the realization of business strategies. The relevant grants amounted to a total of EUR 13.7 million, of which EUR 5.2 million related to the industrial project as a non-repayable contribution, EUR 3 million as a soft loan and EUR 5, EUR 5 million for the research and development project as a contribution to expenditure.

In addition, during the year 2020, the Company also received from the Chinese shareholders an interest-bearing loan paid out, in proportion to the percentages of participation in the share capital, in response to the proposal for financing of members made by the Administrative Body of the Shareholders' Meeting of 4/11/2019, in order to support investments in the Programme, the reimbursement of which will be one-off for each member no later than three years from the date of disbursement, unless further extended by the lender.

Despite everything, the financial situation of the Company, as well as the economic one indicated successively, has been impacted by the pandemic in a negative way.

However, CMD's management has continuously monitored cash flow developments and prospects, using, as described below, State-guaranteed funding provided by financial institutions for liquidity management.

In fact, with a proper management of the tools, facilities and resources available, the Company has correctly complied with all the tax, contribution and social obligations provided for by current legislation; it has paid salaries to employees without delay, managed the debt with the suppliers without stopping the ongoing investments and commitments provided for in the Development Contract.

As is well known, art. 56 DL 18/2020 ("Cura Italia"), issued following the epidemiological emergency resulting from the spread of COVID-19, provided for a moratorium on the payment of funding, loans and leases to Italian companies in order to support them in view of the temporary lack of liquidity. Although this government measure was aimed only at small and medium-sized enterprises (Smes) and self-employed with VAT, the Company, thanks to the work carried out by the Management and the relationship of trust and collaboration with all credit institutions, has obtained the same moratorium, and beyond, provided by the DL "Cura Italia" for the payment of instalments due of all loans and leases in progress at the date of issuance of the same.

Moreover, with the enactment of the Decree Law 8 April 2020 n. 23 called "Liquidity Decree", the Italian Government, continuing in the path of support to the productive system of the country undertaken with the adoption of the D.L. n. 18 of 16 March 2020 (Decreto Cura Italia) introduced further measures to support, even more vigorously and more widely, companies damaged by the disastrous effects caused by the epidemiological crisis as a result of COVID. In the case of Amendment No 19, the purpose of which is to ensure liquidity flows in favour of undertakings with a view to maintaining their operations, with a view to the resumption of operations. Article 1 of the aforementioned Decree-Law introduces, among other measures, temporary measures to support the liquidity of companies by facilitating access to credit backed by the guarantee of the Guarantee Fund 662/96 for an amount of 90%, in particular, to companies with a turnover of 1.5 billion euros.

Pursuant to the aforementioned DL "Liquidity Decree", it should be noted that the Company had access to credit with well-known financial institutions, guaranteed by SACE and MCC. And it continues to enjoy trust from the institutes also during the year 2021.

In addition, during the year it managed to obtain from Amundi SGR S.p.A. the following major amendments to the Rules of the Minibond previously approved:

- amendment to the planned depreciation plan, in order to postpone the payment of the instalment originally due on 31 December 2020 to 20 June 2021;
- amend Article 15 (Financial Covenants), providing for the disapplication of the Financial Parameters at the Calculation Date on 31 December 2020.

Lastly, Intesa Sanpaolo Spa, Mediocredito Centrale Spa and Banco BPM Spa, with which CMD concluded last year a loan with the characteristics of a long-term credit line (Capex) for a maximum total amount not exceeding Euro 7,064,961, to be returned in quarterly instalments starting from 31/12/2022 at the rate of 2.85% + 3-month Euribor, have disbursed additional Euro 1,660 thousand following the reports presented under the Development Contract.

The decrease in turnover recorded at the end of fiscal year 2020 (- 36% compared to the previous year) due exclusively to the pandemic by COVID - 19, was contained and balanced by a decrease in production costs recorded, despite the need to adopt health measures and adapt production processes in order to reduce the risk of contagion, which can be grouped into sanitary (sanitation and PPE), organizational (rotation of staff and modification of procedures for customers and suppliers), information and triage (including swabs and serological tests), thanks to the work carried out by the Management by CMD with efficiency policies, control and control of costs and margins generated by the Company's sales, as well as control activities on the main business processes, on the correct planning of production and personnel, in order to be able to respond very quickly and adaptively to the changeability of the current context to survive and develop a competitive advantage.

In this regard, it should be noted that:

- the Board of Directors and the shareholder Loncin Motor were constantly and punctually informed by the CEO and the management of CMD about the impact that the pandemic would have on the CMD;
- that all the measures to combat the COVID pandemic have been implemented by the CEO and the management in agreement with and in agreement with the partner Loncin Motor and the Board of Directors of CMD;
- that the effects and repercussions on CMD's business are regularly and constantly monitored by the CEO and the management of CMD in agreement with and in agreement with the shareholder Loncin Motor and the Board of Directors of CMD.

It should also be noted that even for the year 2020, with publication of 2020, Cerved Rating Agency confirmed the rating B 1.2 of Costruzioni Motori Diesel S.p.A..

A very special year in 2020 because of the unexpected arrival of the COVID-19, invisible enemy, unfortunately known worldwide today.

The CMD has had to renounce the participation of numerous events and fairs within the various sectors, including those that over the years had become fixed appointments.

Although the 2020 exercise has taken so much away from us, it has also succeeded in giving us many satisfactions.

We also remind you that during the month of January 2019, CMD's BU Avio started the GF56 engine certification process with the application presentation. During the year 2020, two "Significant Change - DOA (Design Organisation) processes were formalised in EASA due to:

1. amendment of the PART 21 Regulation introducing the concept of "Level of Involvement";
2. extension of the "scope of work" due to GF56 engine certification activities, which falls into category CS-E, which means suitable for installation on CS-23 aeroplanes (max 9 passengers).

During the year 2021 the assembly of the "test articles" is foreseen, with the consequent start of the certification tests according to the EASA CS-E standard, which will end with the obtaining of the type certification (TC-Type Certification EASA) expected by 2021.

While in February the EASA APPROVAL CERTIFICATE document finally arrived at the company, attesting to the achievement of the DOA (December 2019), valid for both CMD aircraft engines. This was a prestigious result, since it places CMD as the second Italian company to hold an approval of its organisation with the aim of designing aircraft engines and the sixth in Europe.

With regard to the CMD22 petrol engine, which we recall has already passed all the tests agreed with EASA to achieve the status of "certified aeronautical product", so much so that in January 2018 CMD obtained the Type Certificate (EASA E.120), while at the end of the year 2019 (10/12/2019), CMD has obtained from EASA the Design Organisation Approval Certificate (EASA 21J.709), valid for both avio engine designs as indicated above, We also point out that the know-how of CMD has led to an evolution of the said engine always with a view to achieving the achievement of aeronautical objectives. The motor (CMD18), therefore, that see the introduction of the cooling to water, a decrease of the displacement and a simplification of the workings of realization of the members, an increment of the performances. The CMD22 engine was installed on the aircraft sky arrow and supported a flight testing campaign.

The objective in 2021 is the realization of the first CMD18 prototypes and for the year 2022 is previewed the EASA certification of the same.

During 2020, a further change was made to the internal procedures of the Design Organisation. In September a surveillance audit was held for the first year of DOA activity and during the course the DOA Leader EASA Team formalized and approved the "Remote participation for witnessing of tests" procedure. Result of approval: CMD has been authorised to carry out tests and tests with the presence (if any) of the Agency's Programme Certification Manager remotely.

At the same time, the process began with the National Authority (ENAC) to obtain the Production Organisation Approval (POA). In 2020, the Reference Officer was assigned, the first meetings were held (April and end of December 2020) and the first part of the documentation needed to obtain the POA was sent.

In addition, the electronic department, after a long period of research and design has developed an innovative system FADEC (Full Authority Digital Engine Control) for the GF56 engine.

The FADEC is designed for the control of common-rail engines certified in accordance with EASA CSE, 2 and 4-stroke, installed on EASA CS-23/FAR23-EASA CS-27 and EASA CS29-compliant civil aviation aeroplanes. The FADEC was developed according to the RTCAD-DO178C, DO-254 and RTCA DO-160G standards. It is the first prototype defined as model 0C.

During the month of November 2020 a new version of FADEC was developed, passing from FADEC model 0C to FADEC model A. The certification process of this system is ongoing.

In particular, it should be noted that in February CMD participated in the EMBEDDED WORLD in Nuremberg, Germany, in collaboration with the company Hitex GmbH, presenting a preview of the FADEC. In the same month the first institutional video of the electronic department and related brochure was created.

During the months the electronic department provided the control units (ECU) and took care of the wiring and installation of the BHS on the patrol boats of the Guardia di Finanza and the Carabinieri delivered in Venice and Brescia, on the Venetian hybrid taxi, on the Cosco hybrid compactor, on the Colombi hybrid taxi (ECO 850 Hybrid) and on the Veritas boat for the collection of urban waste in Venice.

During the month of September CMD worked, in collaboration with the University of Bologna, to create an IAS (Intelligent Assistant System) device for tracking and monitoring operating parameters.

The web app is still being developed, allowing you to access data directly from your PC, tablet and smartphone.

Following this, two components of the CMD have joined the National Aerospace Technology Cluster; while during November the team of BU Avio has carried out three days of videoconference training at the Russian company NIK for "Preliminary preparation activities for the installation of the CMD18 engine on aircraft produced by the Russian company NIK". The training aimed to transfer knowledge and installation methods even before sending the user manual.

With regard to BU Energy, however, it should be noted that the microgenerator derived from BIOPLUS will be subject to immediate future industrialization and spread on the market as an integrated service technology for the exploitation of organic waste as a renewable energy source, and will be able to make a concrete contribution to the realisation of a future energy system that is reliable, sustainable and competitive, less and less based on the use of fossil fuels. In particular, a system characterized by:

- possibility of processing different biomass by composition, size, degree of humidity;
- obtaining a syngas with suitable characteristics (high calorific value and sufficient purity) for use in a cogenerative internal combustion engine;
- obtaining an installation characterized by noise and air emissions compatible with the limits set by the reference standards.

The project, in fact, was completed during the first half of 2020 with the achievement of the "Soundproof" version of the Eco20 completely soundproofed, as well as with the creation of a kit applied to current Eco20x systems that significantly reduce the dB currently produced.

An intense year also for BU Energia, which in 2020, among the many events and initiatives carried out, launched a new product on the market, Ecoburner, the boiler that burns gas, is extracted from waste wood. This is how the ECO line was born.

Numerous collaborations: following the participation at the CIIE in Shanghai (in November 2019) an important Chinese company came to CMD in January 2020 to know "live" the different sectors and sign a cooperation document for the possible distribution and assembly of Eco20x in the Shanxi region.

In July, CMD entered into a framework collaboration agreement with AMBIENTE ITALIA HOLDING srl, a company that owns AMBIENTE ITALIA srl, one of the most important E.S.CO. operating on the entire Italian territory. The objective of the Agreement is to provide an effective tool to all potential customers who are biomass owners and who have difficulty in disposing of it, taking into account the increasing costs of disposal and the progressive reduction of the capacity of facilities.

Several publications have also been published in scientific journals during 2020: we remember the article published in September in the 'Applied Energy', magazine published by Elsevier, one of the most important scientific publishing houses at the international level. The article, from the title "Multi - Objective optimization of a syngas powered reciprocating engine equipping a combined heat and power unit" is written in collaboration with the Institute Motors of the CNR of Naples, the Faculties of Engineering Federico II of Naples and the University of Rome =Tor Vergata'.

After the PA also schools have converted to sustainable energy efficiency: in the early days of September in fact an Eco20x was installed at the primary school "Aldo Moro" and attached kindergarten in Vallo della Lucania (Salerno), giving the way to a new conception for the supply of electricity and heat of their buildings through the energy enhancement of residual biomass from the maintenance of the park of Cilento.

Among the projects carried out in 2020: CMD in collaboration with the CNR-IM (National Research Council- Motor Institute today Institute of Science and Technology for Energy and Sustainable Mobility STEMS) is developing an ignition advance control system with the innovative introduction of flame ionisation control for optimising the combustion quality. As already known, the CMD is the leader of the MISE Prometeo project which has as its main aim the development of a microgenerator equipped with a reactor capable of gasifying also biomass not specifically woody but also foliage, dust and other plant products not considered usable in the previous versions, in order to try to widen the range of biomass potentially usable for Eco20x. The project is still in the experimental phase, as indicated below.

In July, however, as part of the project "GREEN FARM", which will be better discussed later, was installed an Eco20x at the department of Agraria Frederick II in Castel Volturno. In December began the interfacing of the machinery with solar panels and lithium batteries on site and the thermal interfacing with greenhouses always present on site.

With regard to BU Marine Engines, we point out that in January was presented in Venice the first hybrid taxi equipped Blue Hybrid System with a demonstration tour along the Grand Canal in the presence of the mayor Brugnarò.

At the end of January, at the Atella plant, took place the second part of the course "Marine Engines sales and service", organized by FNM, registered trademark of CMD, in collaboration with AS Labruna, exclusive distributor for Italy FNM engines. The course lasted two days (1 week at the headquarters of AS Labruna in Monopoli - 2 weeks at the FNM in Atella). The course was attended by several workshops authorized FNM.

In February FNM marine participated, together with AS Labruna, to the Nauticasud presenting the Blue Hybrid System. The Minister of University and Research also visited our stand.

The military converts to the hybrid and chooses the Blue Hybrid System. The hybrid patrol boats delivered to the Carabinieri in 2020 were 3: in May was delivered the first to the Provincial Command of Brescia, Sect. Naval Lake Iseo (the project was born from the collaboration between MED DEFENSE, RUGGERO VIO Srl and CMD), the other 2 were delivered in September at the Arsenal of Venice in the presence of the mayor Brugnarò. During 2020 was also built the first operational patrol boat with hybrid propulsion in Italy of the Guardia di Finanza which was delivered in September at the Naval Station of Venice located on the Giudecca Island, in the presence of the Commander General of the Guardia di Finanza; the boat is fully motorized FNM (coupling 42HPE + Blue Hybrid System).

During the months of July and September, the FNM acquired new dealers from India (Esmario Export Enterprises Pvt Ltd), Singapore-Malaysia (RPM Marine PTE Ltd), and Finland (Suomen Venehuolto oy).

In October he participated, together with AS Labruna, at the 60th edition of the Genoa Boat Show presenting the entire range of marine engines and the inevitable Blue Hybrid System. At the event, visitors had the opportunity to view the hybrid patrol boat delivered in September at the stand of the Guardia di Finanza. While in October FNM participated in the Salerno Boat Show together with Officina Avallone.

The two events had significantly fewer visitors due to the pandemic, despite all of which they had a good result.

No less important was the presentation, at Lake Garda, the taxi for tourist transport ECO 850 Hybrid fully motorized FNM, as previously mentioned.

At the moment the FNM is working on the COSECO project: we are well advanced and we can define the hybrid compactor as one of the most important CMD novelties of 2021.

Another innovation in 2021 is the hybridization of the Veritas boat in Venice (municipal waste collector): at the end of January the first installation was carried out.

New cooperation for BU Machining: in September a Memorandum of Understanding was signed with PAV to start a joint production of complex mechanical components using not only Italian plants but also three plants located in Germany, Austria and Switzerland, radically expanding the capacity of productive and commercial action.

In mid-November, the Atella plant was audited (carried out in video call according to anti Covid protocols) on the implementation of the WCM system.

Finally, during the year 2020, CMD promoted the launch of the CYBER SECURITY project for the Atella and San Nicola La Strada plants. The project will allow greater security of business data, protection from cyber attacks, visibility of ongoing CMD projects and sharing of internal resources and expertise.

The intent of CMD is to push strongly on sustainability and energy transition, focusing the skills of each BU in the design of solutions for environmental protection.

Given the severity and speed of infection of COVID 19, CMD wanted to make its contribution to the entire health system with the development of a lung fan, thus making its way into a new sector, the paramedical one. The engineers of all the Bu of the CMD have worked intensely during the period of quarantine and in April it has been introduced near the center of the Prefecture of Power EASY VENT CF01 to the presence of the prefects of Power and Matera and the city council member to the health of the Region Basilicata Rocco Leone. During the first days of March EASY VENT CF01, the lung fan made in CMD has finally obtained the certification.

In addition, during the first months of year 2021, we see the municipal waste collection and transport sector convert to green: in January, in fact, after months of analysis and testing, was launched the first hybrid boat of Veritas in Venice, while the hybridization of the compactor by Cosesco, a company based in Bari, is at the last step.

## Attività di direzione e coordinamento

Pursuant to paragraph 5 of art. 2497-bis of the Italian Civil Code, it is established that the company is not subject to the activity of direction and coordination of others.

## P&L and financial position

In order to better understand the company's P&L and financial position, a reclassification statement of the balance sheet is below provided below:

### Assets

Items	Year 2020	%	Year 2019	%	Variation (€)	Variation. %
<b>WORKING CAPITAL</b>	<b>49.610.463</b>	<b>43,02 %</b>	<b>55.436.567</b>	<b>52,82 %</b>	<b>(5.826.104)</b>	<b>(10,51) %</b>
<b>Liquid Asset</b>	<b>5.595.271</b>	<b>4,85 %</b>	<b>14.911.354</b>	<b>14,21 %</b>	<b>(9.316.083)</b>	<b>(62,48) %</b>

Items	Year 2020	%	Year 2019	%	Variation (€)	Variation. %
cash	5.595.271	4,85 %	14.911.354	14,21 %	(9.316.083)	(62,48) %
<b>Deferred liquidity</b>	<b>27.043.411</b>	<b>23,45 %</b>	<b>23.763.279</b>	<b>22,64 %</b>	<b>3.280.132</b>	<b>13,80 %</b>
Receivables from shareholders						
Current Receivable (within 12 months)	24.740.808	21,45 %	22.593.476	21,53 %	2.147.332	9,50 %
Fixed receivables (within 12 months)						
Fixed Assets for sale	1.380.530	1,20 %			1.380.530	
Financial Assets						
Prepaied Expenses and Accrued Income	922.073	0,80 %	1.169.803	1,11 %	(247.730)	(21,18) %
Inventories	16.971.781	14,72 %	16.761.934	15,97 %	209.847	1,25 %
<b>Fixed Assets</b>	<b>65.708.773</b>	<b>56,98 %</b>	<b>49.512.652</b>	<b>47,18 %</b>	<b>16.196.121</b>	<b>32,71 %</b>
Intangible fixed assets	15.019.707	13,02 %	9.063.372	8,64 %	5.956.335	65,72 %
Tangible fixed assets	47.549.341	41,23 %	39.417.615	37,56 %	8.131.726	20,63 %
Financial fixed assets	145.439	0,13 %	45.439	0,04 %	100.000	220,08 %
Fixed receivables (after 12 months)	2.994.286	2,60 %	986.226	0,94 %	2.008.060	203,61 %
<b>TOTALE IMPIEGHI</b>	<b>115.319.236</b>	<b>100,00 %</b>	<b>104.949.219</b>	<b>100,00 %</b>	<b>10.370.017</b>	<b>9,88 %</b>

## Liabilities

Items	Year 2020	%	Year 2019	%	Variation (€)	Variation. %
<b>LIABILITIES</b>	<b>71.658.272</b>	<b>62,14 %</b>	<b>62.948.214</b>	<b>59,98 %</b>	<b>8.710.058</b>	<b>13,84 %</b>
<b>Current Liabilities</b>	<b>39.206.592</b>	<b>34,00 %</b>	<b>39.922.239</b>	<b>38,04 %</b>	<b>(715.647)</b>	<b>(1,79) %</b>
Short terms debts (within 12 months)	25.888.058	22,45 %	28.473.046	27,13 %	(2.584.988)	(9,08) %
Accrued Expenses and Deferred Income	13.318.534	11,55 %	11.449.193	10,91 %	1.869.341	16,33 %
<b>Consolidated Liabilities</b>	<b>32.451.680</b>	<b>28,14 %</b>	<b>23.025.975</b>	<b>21,94 %</b>	<b>9.425.705</b>	<b>40,94 %</b>
Long terms Debts (after 12 months)	31.144.157	27,01 %	22.619.074	21,55 %	8.525.083	37,69 %
Funds for risk and charges	901.096	0,78 %			901.096	
Fund for employee termination indemnity	406.427	0,35 %	406.901	0,39 %	(474)	(0,12) %
<b>EQUITY</b>	<b>43.660.964</b>	<b>37,86 %</b>	<b>42.001.005</b>	<b>40,02 %</b>	<b>1.659.959</b>	<b>3,95 %</b>
Share capital	16.829.887	14,59 %	16.829.887	16,04 %		
Reserves	25.107.248	21,77 %	24.613.730	23,45 %	493.518	2,01 %
Retained earnings (accumulated deficit)						
Net income (loss) for the accounting period	1.723.829	1,49 %	557.388	0,53 %	1.166.441	209,27 %
<b>Total Liabilities and Shareholders' Equity</b>	<b>115.319.236</b>	<b>100,00 %</b>	<b>104.949.219</b>	<b>100,00 %</b>	<b>10.370.017</b>	<b>9,88 %</b>

## P&L and financial position's main indicators

According previous reclassification, following indicators are below calculated:

Ratios	Year 2020	Year 2019	Variation. %
Coverage of fixed assets	68,12 %	86,55%	(21,29) %
Banks on Working Capital	49,12 %	22,16%	121,66 %
Debt ratio	1,64	1,3	26,15 %
Leverage	0,93	0,678	37,17 %
Equity on Total Assets	37,86 %	40,02%	(5,40) %
Financial Interest on Sales	4,61 %	3,48%	32,47 %
Total Current Assets on Current Liabilities	126,54 %	138,86%	8,87 %
Fixed Assets Margin (I Level)	19.053.523,00	- 6.525.421	191,99 %
Indice di copertura primario	0,7	0,8	12,50 %
Fixed Assets Margin (II Level)	13.398.157,00	16.500.554	18,80 %
Indice di copertura secondario	1,21	1,34	9,70 %
Net Working Capital	10.403.871,00	15.514.328	32,94 %
Treasury Margin (I Level)	6.567.910,00	- 1.247.606	426,44 %
Acid Test	83,25 %	96,87%	14,06 %

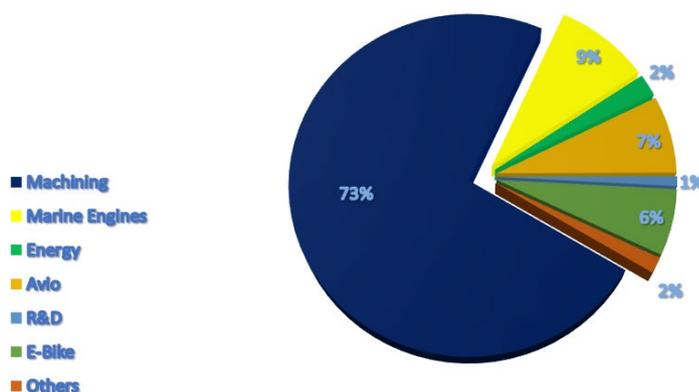
## Financial overview

To better understand the result of the management of the company, a reclassification statement of the P&L Account is provided below.

## P&L Account

€/000					
INCOME STATEMENT	2016	2017	2018	2019	2020
REVENUES	29.418	32.558	32.349	32.037	20.505
%	3,20%	10,7%	-0,6%	-1,0%	-36,0%
TURNOVER	32.752	41.638	39.678	40.763	25.723
Growth (%)	4,41%	27,1%	-4,7%	2,7%	-36,9%
EBITDA	10.233	9.908	9.816	7.890	4.557
Ebitda (%)	31,25%	23,80%	24,7%	19,4%	17,7%
EBIT	6.644	5.868	5.228	2.013	3.323
Ebit (%)	20,29%	14,09%	13,2%	4,9%	12,9%
NET PROFIT	3.059	3.006	2.234	557	1.724
Net profit (%)	9,34%	7,22%	5,6%	1,4%	6,7%

### Breakdown Revenues 2020



### Financial overview's main indicators

According previous reclassification, main financial statements' indicators are below calculated:

Ratios	Year 2020	Year 2019	Variation. %
R.O.E. (Return On Equity)	3,95 %	1,33%	196,99 %
R.O.I. (Return On Investments)	4,38 %	2,31%	89,61 %
R.O.S. (Return On Sales)	16,21 %	6,28%	158,12 %
R.O.A. (return On Assets)	4,97 %	4,15%	19,76 %

### Information ex art 2428 C.C.

Analysis of information specifically required by the provisions of article 2428 of the Civil Code

### Main risks and uncertainties to which Company is exposed

As required by the first paragraph of art. 2428 of the Civil Code, below is a description of the principal risks and uncertainties to which the company is exposed.

In this respect, there is no significant deficiency in internal control systems. The Company, in fact, is equipping itself with an internal control system with regard to proven and reliable technical and administrative procedures. To this must be added the high level of experience that distinguishes the predominant part of the employees involved in the control and recruitment, in agreement with the company's top management, of relevant decisions.

In addition, as indicated above, that the Model of Organization, Management and Control ex Dlgs is being implemented. 231/2001, in progress.

It should also be considered that the Quality System is implemented and identified with all operating instructions based on ISO / TS16949:2002.

In order to safeguard the company and respect for the working environment, CMD S.p.A. has created an Environmental Management System for Quality Management and System. This activity culminated with the achievement of the environmental certification ISO 14001. In addition, the company is certified ISO9100:2009 for the design and manufacture of aeronautical components.

The Directors consider that the CMD is exposed, instead, to the following risks:

- credit risk; and
- liquidity risk; and
- market risk.

Below you will find information on the exposure of the Company to each of the risks listed above, the objectives, policies and processes for managing these risks. The overall responsibility for the creation and supervision of a risk management system of the Company is the administrative body.

The Company's risk management policies aim to identify and analyse the risks to which the Company is exposed, to establish appropriate limits and controls, to monitor the risks and compliance with those limits. These policies and related systems are reviewed periodically to reflect any changes in the market conditions and activities of the Company. Through training, standards and management procedures, the Company aims to create a disciplined and constructive control environment in which its employees are aware of their roles and responsibilities.

#### A. Credit risk

It is the risk that a client or counterparty of a financial instrument causes a financial loss by failing to perform an obligation and arises primarily from the Company's trade receivables and financial investments.

##### A.1 Trade and other receivables

The Company's exposure to credit risk depends mainly on the specific characteristics of each customer. The Company selects the counterparties after a preliminary assessment of their credit standing. ; in addition, credit risk is mitigated by the use of the factoring instrument, which also mitigates subsequent liquidity risk. The amount of receivables deemed to be of doubtful recoverability is contained in the amount of the allowance for receivables carried over in the balance sheet. It should also be noted that the credit risk is limited as trade receivables are mainly held by the world's largest players in the automotive sector.

##### A.2 Financial investment

The Company as of 31/12/2020 has a very low exposure in financial securities and does not consider there is any risk of realisation.

##### A.3 Guarantees

As of 31/12/2020, the Company has a limited value of financial guarantees issued in favour of third parties and does not consider there is any risk of enforcement.

#### B. Rischio di liquidità

Il rischio di liquidità è il rischio che la Società abbia difficoltà ad adempiere alle obbligazioni associate a passività finanziarie.

L'approccio della Società nella gestione della liquidità prevede di garantire, per quanto possibile, che vi siano sempre fondi sufficienti per adempiere alle proprie obbligazioni alla scadenza, senza dovere sostenere oneri esorbitanti o rischiare di danneggiare la propria reputazione.

In tal senso la Società gode di fonti di finanziamento sufficienti a soddisfare le prevedibili necessità finanziarie, sia per le finalità di gestione operativa corrente sia per il fabbisogno finanziario necessario all'esecuzione degli investimenti programmati.

#### C. Rischio di mercato

Il rischio di mercato è il rischio che il fair value o i flussi finanziari futuri di uno strumento finanziario fluttuino in seguito a variazioni dei prezzi di mercato, dovute a variazioni dei tassi di cambio, di interesse o delle quotazioni degli strumenti rappresentativi di capitale. L'obiettivo della gestione del rischio di mercato è la gestione ed il controllo dell'esposizione della Società a tale rischio entro livelli accettabili ottimizzando, allo stesso tempo, il rendimento degli investimenti.

### C.1 Rischio di cambio

La Società è esposta a rischi di cambio sulle vendite e sugli acquisti.

Il monitoraggio da parte della Società del rischio di cambio è costante e permette di non subire perdite su cambi significative.

### C.2 Rischio di tasso di interesse

Per alcuni contratti di finanziamento la Società ha stipulato dei contratti derivati al fine di ridurre il rischio di oscillazione dei flussi in uscita futuri.

Riguardo gli obiettivi e le politiche della Società in materia di gestione del rischio finanziario sui tassi di interesse sopra menzionato, compresa la politica di copertura adottata, si rinvia all'apposito paragrafo della Nota Integrativa di commento sugli strumenti finanziari derivati detenuti dalla Società.

## Main non-financial indicators

Pursuant to the second paragraph of art. 2428 of the Italian Civil Code, we certify that, for the specific activity carried out and for a better understanding of the company's situation, performance and operating result, the exposure of non-financial indicators is not considered relevant.

## Environment information

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In line with the commitment to continuous improvement, the environmental performance of C.M.D. S.p.a. has reached levels of excellence in recent years, thanks also to the application of organizational models based on the application of certified management systems as required by UNI EN ISO 14001, the use of the best available technologies and the continuous use of training and awareness-raising activities for employees and external companies.

Since 2013, a process has been initiated with the aim of improving the process of collecting the data and information needed for Annual Sustainability Reports. To date, the C.M.D. S.p.a. continues in this path recording continuous improvements.

Regarding emissions to the atmosphere, as expected by the new Determine Executive PRG. G 20154/2017 - U 19/05/2017 for the 9 flue-gas extraction chimneys, the results of which are within the limits set and approved by DGR n No 3340/99, 670/01, 1504/15 and D.Lgs 152/2006.

Every semester, the waste water analysis of the sewage system of the plants is carried out as required by the D. Lgs 152/2006, from which no parameters were found beyond the allowed limits.

Sampling and analysis of work environments are carried out every six months to detect the fog and fine dust present, as required by Legislative Decree 152/2006.

It continues with the use of the electronic control system of waste traceability (SISTRI) as provided by the Ministry of the Environment and the Protection of the Territory and the Sea.

In 2020 we continue with the separate collection through a careful selection of paper, plastic, iron, aluminum and wood the percentage of separate collection has been attested to the already excellent of 2019, that is 98% of the waste produced by the company.

No environmental damage occurred during the year and the Company has received definitive penalties for environmental crimes or damage, much less has been definitively convicted.

CMD, in fact, is able to prevent and anticipate future problems and needs and is able to manage changes. From the environmental point of view, this means deciding to progressively minimize the impact on the environment: it is the concept of continuous environmental improvement.

To do this he introduced:

- clean technologies with a reduced environmental impact compared to those usually used for the same purpose;
- energy saving; and

- energy supply from renewable sources;
- the recovery of production waste;
- packaging changes (packaging material) to make it less impactful, for example by reducing the weight of packaging and using reusable packaging

The Company, in order to improve the working environments and always respect in a timely and incisive environmental legislation.

All this communicating it not only to the outside, evidencing the carried out environmental participations and the obtained improvements, but also inside of the same of the company.

In fact, a policy is carried out to raise awareness among workers on environmental issues, so that they can become aware of the usefulness that many objects still have in a common perspective of shared eco-sustainable choices.

CMD is committed to environmentally friendly activities all over the world.

For this purpose CMD:

- defines plans and operational programmes that respect the environment in all the activities it carries out;
- manages its plants through the efficient use of energy, materials and natural resources, pursuing the reduction of environmental impact, waste and waste and, where possible, the use of renewable sources;
- is aware that the preservation of the quantity and quality of water is not only an environmental problem, but a challenge that embraces the whole economic and social system and, therefore, is engaged in responsible management of water resources;
- sets environmental objectives and monitors progress;
- is engaged in educational actions for its collaborators so that the principles set out above are pursued everywhere and from all levels of its structure.

Finally, to ensure in a structured manner what is described, an Environmental Management System has been implemented in compliance with ISO 14001:2004.

It is confirmed, in fact, for 2020 the passing of the verification of the integrated management system environment and safety in accordance with the standards UNI EN ISO 14001 with the RINA.

## Information on staff management

For a better understanding of the company's situation and management trend, some information concerning staff management is provided.

Staff information	2019	2020
staff median age	45	45
numbers of graduated employees	113	113
Level of education (numbers of graduated employees /tot. employees)	75,33	75,33
turnover	2,67%	1,33%
Illness rate	3,40%	2,00%
<b>Tot. staff</b>	<b>150</b>	<b>150</b>
men workers	94	92
women workers	4	4
men employees	30	32
women employees	11	11
Men trainees	0	0
Women trainees	0	0
Men coworkers	4	4
Women coworkers	0	0
Men Manager	10	10
Women Manager	1	1
Men directors	0	0

Women directors	0	0
<b>Staff</b>	<b>2019</b>	<b>2020</b>
Managers	0	0
Employees	52	54
Workers	98	96
<b>Total</b>	<b>150</b>	<b>150</b>

### Health and safety in the workplace

The mission of C.M.D. S.p.a. is to ensure the protection of the health and safety of workers through surveillance and control activities, as well as promoting health and safety at work with the aim of preventing diseases and related accidents. Given the changes related to the corporate lay-out in the year 2020, we proceeded to draft a new D.V.R. (Corporate Risk Assessment Document), also added the operating procedures Covid 19 and biological risk.

During the 2014 financial year the World Class Manufacturing system was launched in collaboration with Fiat, a methodology that covers all the processes of the plant, from safety, to the environment, from maintenance to logistics and quality, through the elimination of accidents by improving and implementing safety standards, which qualifies many of the world's leading manufacturers of goods and services.

On 29/10/2020 ended the audit with WCM with positive results and improving the level of score obtained in the previous year.

Medical examinations were carried out to all employees as per the health protocol of the Competent Doctor along with the campaign of screening to counter the spread of COVID-19.

During the year 2020, there were no. 2 accidents at work caused by occasional events of little importance.

### Staff Training

CMD S.p.A. ensures that each worker receives sufficient and adequate training in health and safety, with particular reference to the general safety aspects and risks related to the tasks of belonging to the company.

The Company dedicates a systematic effort to the training of its staff, using all the opportunities to support the daily work and professional growth of each employee.

Training is designed as an opportunity to enhance skills and support the development of new knowledge.

This process involves the whole of society, providing the acquisition of knowledge that guarantee a varied and at the same time targeted training, able to measure itself with the transformations of work and present society.

During the year, the staff took part in the following courses provided by law:

- Refresher course for fire prevention, fire fighting and risk management personnel
- Information and training course for workers pursuant to art. 37 of D. Lgs 81/08.
- Refresher course for Employee Safety Representative RLS.
- Refresher course information and training of workers pursuant to art. 37 of D. Lgs 81/08 corrective D.Lgs 106/2009.
- First Aid Doctor course.
- Refresher course Managers and Managers.
- Upgrade course Forklift trucks.

The Company has planned the participation of rotating staff, so as to ensure the training of workers of each time slot.

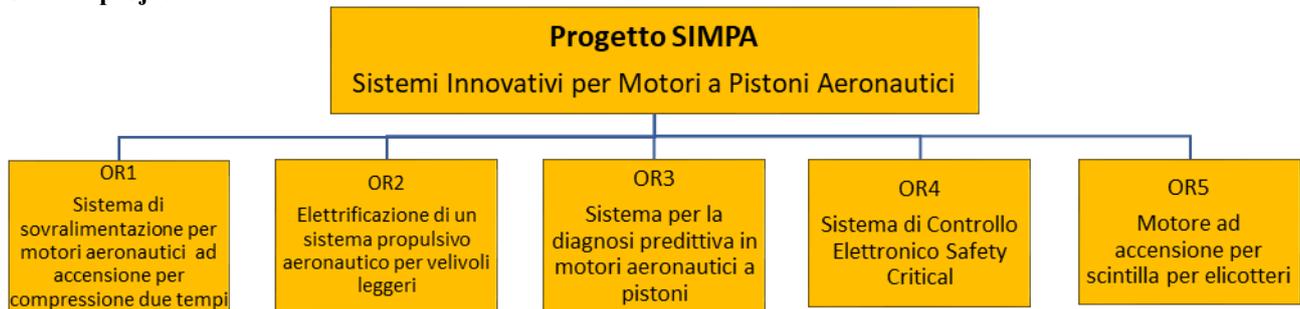
## R&D activities

In compliance with the provision included in article 2448, paragraph 1, no. 1), of the Italian Civil Code, below we introduce the main R & D activities carried out by our Company during the closing financial year, which were recorded in the financial statements with the consent of the Board of Statutory Auditors.

### Introduction

Below is a description of the main progress made in the context of the projects underway during the year 2019 in relation to each individual Realization Objective (OR), with an indication of any deviations from the initial forecasts and the reasons for these deviations . The activities developed in 2019 took into account the conclusions and critical issues found in the previous year.

### SIMPA project

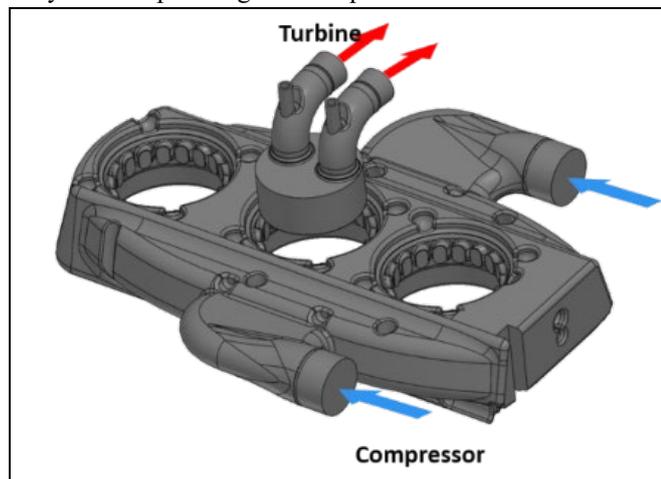


### OR1 CHARGE SYSTEM FOR AERONAUTICAL TWO-STROKE COMPRESSION-IGNITION ENGINES

The scope of the investigation had to be broadened for the development of the charge system. In particular, it was found that the washing and injection/combustion processes needed to be analysed in great detail in order to maximise the thermo-fluid dynamic efficiency of the GF56, while maintaining low maximum pressure values in the combustion chamber and respecting the torque/power targets.

All the work done led to the final stage with the realization of the machines to be tested extensively:

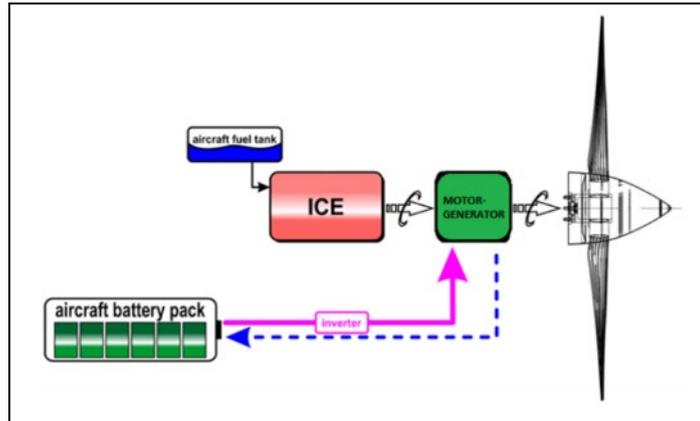
- Adaptation of an existing turbo-supercharger;
- Manufacture of a proprietary turbo-supercharger developed ad-hoc for the GF56.



turbo-supercharger CAD

**OR2 ELECTRIFICATION OF AN AERONAUTICAL PROPULSION SYSTEM FOR LIGHT AEROPLANES**

CMD has oriented the development towards a MILD HYBRID configuration in the "aeronautical" sense, that is without regeneration of energy. The requirement was set by processing numerous requests that wanted the CMD engine equipped with an electric generator of considerable power (5kw). In other words, engines will be released built with an alternator that will have the task of powering a series of energy-intensive electric utilities. On this scheme was then fixed the development of the hybrid configuration that assumes the reversible electric machine as assigned, and normally functioning as a generator, and adds a system consisting of batteries, converters and control to enable the operation of the machine itself from the engine for short periods, such as take-off or a sudden maneuver. The activities then concerned the system study of this configuration in its possible variants for the evaluation of the optimal configuration in terms of performance and weight.

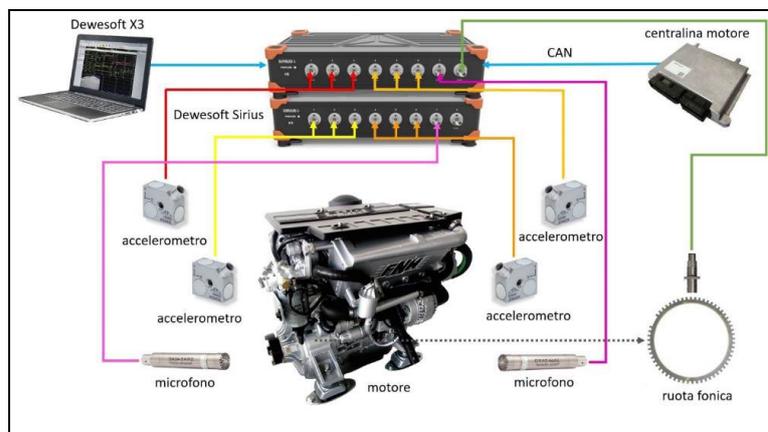


Reference diagram of the electrification system

**OR3 SYSTEM FOR PREDICTIVE DIAGNOSIS IN AERONAUTICAL PISTON ENGINES**

An important scouting job was done by interviewing the most important academic and private groups on the topic of predictive diagnosis. The first operational approach tried was to use HW in the loop methodology and in particular dspace with non-applicable results. A trade-off study was also carried out between the platforms and in particular compared NVIDIA Jetson with other solutions (i.e TESLA) and at the same time assessing the convenience of services to services offered by Google and/or Amazon. An available case study was defined that could allow to define a healthy condition but still significantly similar to the GF56 by selecting an engine produced by CMD.

Finally, the sensor for data acquisition in the test room, the installation of the healthy engine in the test room, the purchase and installation in the test room of the sensor and its acquisition system, has been defined; Fault definition and mode of injection of fault products, test campaign and neural network training.



Logical scheme of acquisition system connections

## OR4 SAFETY CRITICAL ELECTRONIC CONTROL SYSTEM

The development of the OR4 has continued through the finalization of the previewed tasks. In detail, the following activities are completed:

- Functional and safety requirements;
- Survey enabling technologies;
- System Requirements;
- Design of control system vers.1;
- Testing & validation plan.



The FADEC control system in its Model\_0c version

## OR5 HELICOPTER SPARK-IGNITION ENGINE

The activities carried out for this realizing objective concern the design and the realization of a prototype of motor with an architecture of the CMD22 modified and the in-depth analysis of the characteristics of heat exchange of the motor in the hypothesis of installation in the reference helicopter. In particular, the new architecture responds to what previously planned. In addition, the interface/integration features with the installation of the engine in the helicopter engine castle were evaluated.



Installation of the CMD22 in the reference helicopter

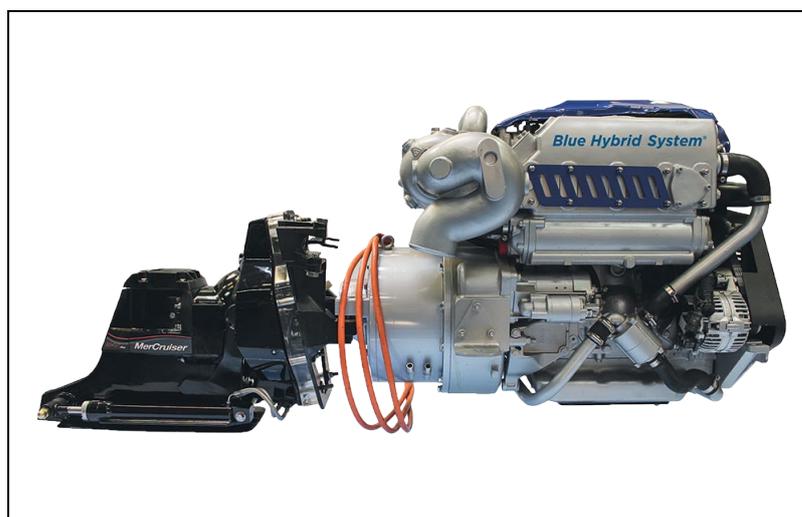
## IMARE project

The activities of the iMARE project continued during 2020 and saw, as foreseen in the development plan, the development of the demonstrator that is planned to be installed on the boat specially designed by the partner SALPA.

It is a mechatronic marine propulsion system entirely designed and designed by CMD, applicable to all marine diesel engines that allows you to navigate in all marine areas where respect for the environment requires silence and zero polluting emissions.

The system consists of a three-phase synchronous electric motor that allows you to navigate up to 8kn in electric. The electric/endermotic propulsion change is automatic thanks to the HCU (Hybrid Control Unit) device designed entirely by CMD. During the endothermic navigation, the batteries are recharged automatically, ensuring in the standard version, over 2 hours of navigation.

Thanks to CMD technology, the electric propulsion is controlled by the same control commands of the endothermal propulsion, visualizing the operating parameters. To date, the Blue Hybrid System® is the only system able to offer total integration with any basic propulsion engine.



The FNM Blue Hybrid System engine

CMD technicians at the design stage of all components, and at the same time as the first bench tests, have acquired many elements necessary to define the interfacing of the components not directly linked to the hybrid propulsion but necessary for the operation and therefore for the navigation of the boat. We must think of the various systems related to the wheelhouse or the cooling of electrical components, as well as the user interface or driver. With regard to the wheelhouse, which is now hydraulic on all boats, all engines endothermic and therefore the engine under examination, the FNM 30HPE250, are equipped with a hydraulic pump that is driven by the kinematics of the engine itself to use a servo control. In particular, on this engine there is a housing in the crankcase that allows the insertion of the pump directly on a gear distribution.

With regard to the user interface, it was decided to integrate as much as possible the commands of the two types of propulsion, and for this purpose the electronic division of the CMD has established the elements that can be shared. Generating all the documentation necessary to allow the partner UMBRA to develop the control of the electric motor acquiring such specifications. Part of this documentation are the canbus communication protocols that transmit the data of the ECU of the endothermic engine vs the external. At the same time, some of the largest manufacturers of ship navigation systems were involved in order to use their electronics, tested and already equipped with the mapping necessary for navigation to identify the communication channel and interfacing with the control of the hybrid system. The purpose of this work will be to display on the map GPS display, both the parameters of the endothermic engine and those of the electrical. The intent will be to ensure a simple graphical interface, tested and certified by the manufacturer of the display, which displays to the user at the same time or specifically, the navigation parameters with simultaneous monitoring of the residual capacity of the battery and the main values of the current absorbed and/or produced and the related operating temperatures. Obviously there will be a window dedicated to alarms and system diagnosis. This activity is at an early stage

of development being shared with the manufacturer of GPS identified, waiting to come in possession of the parameters that can be defined exhaustively only with the continuation of bench tests and then with all the components defined.

## PROMETEO project

The activities carried out during 2020 in relation to the Prometeo project are represented below for each individual achievement goal.

### OR 3 - Optimisation of the gasifier configuration for the production of synthesis gas to be used for micro-cogeneration applications

In 2020 were produced both further experimental tests on the system in "baseline" configuration, using HTC green public power, and the characterization of the system in "omnivorous" configuration, already assembled as part of previous activities.



Overall system in "omnivorous" configuration: a) front view, b) side view in which the briquettes storage hopper and its conveyor belt feeding system are recognized.

### OR 4 - Development of an intelligent control system for performance optimisation (energy and environmental) of the micro-cogeneration system being developed

- OR.4, carried out in joint activity with the CNR Consultant, has allowed the definition of:
  - the performance parameters, concerning the calculation of the abatement efficiency of the syngas cleaning line for the system in "omnivorous" configuration, so as to be able to compare it with the system parameters in "baseline" configuration (OR.4.1);
  - the architecture, working principle and testing of the high temperature ceramic filter (OR.4.1);
  - engine exhaust emissions, powered by syngas, relative to the plant in "baseline" configuration fuelled by HTC briquettes and engine exhaust emissions fuelled by syngas relative to the plant in "omnivorous" configuration fuelled with sawdust briquettes (OR.4.3);
  - an engine control unit Engine Control Unit (ECU) capable of acquiring, processing and controlling engine parameters (OR.4.3);
  - an intelligent electronic control system capable of adequately managing the internal agitator in the reactor (OR.4.4).
- a remote management system capable of making the entire system usable even remotely (OR.4.4).

**OR 10 - Risk analysis and monitoring project activities**

The activity concerned the continuous updating of the Project Management Plan necessary to define unambiguously the strategies to be undertaken for the proper implementation of the project, in relation to the critical issues encountered during its implementation.

Within the Project Management Plan, a Risk Register has been drawn up, which has been updated continuously, in relation to the monitoring and management of the Achievement Objectives. In the Register of Risks are present all the risks that occurred during the development of the project and the actions that have been taken in order to reduce its effects.

The Project Management Plan also includes the section dedicated to the planning of monitoring and evaluation activities. The release dates of the deliverables/milestones have been inserted in detail, as indicated in the Development Plan, and taking into account any expected deviations in relation to the findings.

**DIPROVEL project**

During the year 2020, the activities of the DIPROVEL project were launched. The project aims to realize a technological demonstrator of a hybrid-electric propulsion and energy system, for application on light aircraft. The system will be integrated into a light aircraft and tested on the ground.

The basic design idea is to create a configuration with an electric machine, which functions as a motor and generator, on the shaft of the thermal engine.

The baseline engine is the CMD 22, which has been certified (CS 22), to which will be coupled an electric machine, high power density, developed by a project partner (Umbrian). The latter will also be responsible for developing the power management system that will have to manage optimally the energy flows between the engines and with the storage system that will be developed by another partner (vga).

The goal is to create a propulsion system, with adequate safety levels and high power density that demonstrates convenience compared to a traditional motorization for assigned mission profiles, such as those corresponding to training flights.

The technology of hybrid propulsion aeronautical, electrical thermal, appears an obligatory way to meet the medium and long-term objectives imposed by strategic visions in aeronautics, both European and international. In Europe, for example, it is foreseen in flightpath 2050 (SRIA - The Strategic Research and Innovation Agenda) in the goal Protecting the environment and the energy supply:

- 75% reduction in CO<sub>2</sub> emissions per passenger and per km;
- 90% reduction in Nox emissions;
- 65% reduction of perceived noise;
- Taking as a reference the values of the quantities measured in 2000.

**GREENFARM project**

In 2020, another research and development project called GREENFARM began.

The GREEN FARM project is aimed at increasing sustainability in agriculture through a substantial reduction in the use of fossil fuels for the generation of energy for food production and the recovery of waste materials for use as soil improvers, fertilisers or biostimulants to preserve natural resources and increase yield.

The project is born from the synergy of two industrial partners and a research organization (Odr). In addition to the CMD there is the GRADED, which for several years operates in the energy sector for the design and construction of plants providing innovative solutions to individuals and entities of the Public Administration (PA). Odr is the Department of Agriculture (DIA) of the University of Naples "Federico II" (UNINA) which, in addition to the skills gained over the years in various fields of agricultural science and agri-food, will provide agro-companies food properties located in different contexts for the application in operational environment of the concepts proposed in GREEN FARM. Additional scientific

support will be provided by the Engine Institute (IM) and the Combustion Research Institute (IRC) of the National Research Council that will work as consultants proposing advanced technological solutions for the energy efficiency of production from renewable sources and the reduction of the environmental impact of conversion systems.

The main aims of the project are:

- increase in sustainability in agriculture and in the processing chain with reduction of energy consumption from the grid;
- widening the know-how and market shares of the Italian agri-food chain in the greenhouse and hydroponic crops sector;
- identification of chemical and biological pathways for the recovery of materials for soil fertilization;
- testing of the use of marginal land for environmental phytoremediation (habitat restoration following excessive degradation) and sites contaminated by phytoremediation;
- improving the economic and environmental sustainability of the protected crop sector;
- development of agricultural-specific innovative bio-products protected crops;
- development of technologies for cultivation in extreme climate environments (arctic or desert regions).



Location of the Greenfarm project

### CMD 18 project

In the course of 2020, the research activities of the project called CMD18 are continued to study, design and prototyping of a positive ignition engine and electronic injection for light and general aviation

The activities carried out have already made it possible to realize the components of a first technological demonstrator that will subsequently be subject to engineering in the test room according to aeronautical criteria.

The specific phase of the definition of constraints and requirements was completed and the preliminary design phase was completed through the realization of three-dimensional CAD models of the main subsystems and general architecture. These models have allowed the realization of the first components, the prototype, which is currently being assembled.

For this level of development, each CMD 18 data and/or performance is the result of engineering estimation and/or numerical simulation. The following steps such as the transition to a detailed design and prototyping of subsystems and the integrated system that will reasonably introduce performance changes and/or the need to iterate in the design cycle are evident.

Finally, some technological solutions have been transferred from the automotive world to overcome performance limits of the engines on the market. The main result to be achieved will therefore be to develop a technologically current engine, with significantly better performance than those of competitors, that meets the requirements/ aeronautical product constraints.



3D CAD drawing of the prototype CMD18

## AUTOMATION DIVISION

Brief introduction: CMD with the automation division of BU Machining continues to direct its development activities towards digital innovation and the implementation of technologies related to the paradigms of Industry 4.0 and Smart Manufacturing. All the strategic actions for technological growth have found a place in CMD-AUTOMATION, a global project that has involved all the departments of BU Machining. The aim of the initiative is to create products and services to support BU Machining in technological advancement. Among the technologies on which CMD has focused its attention are:

- IIOT;
- artificial intelligence;
- augmented reality;
- robotica collaborativa;
- automazione avanzata;
- Cybersecurity su reti OT/IT;
- big data

To give organicity and planning to the initiative four macro-areas of reference and development have been identified. Each area has seen the grouping of projects and activities for the same purpose:

**Smart Machines:** an area that has seen the focus of efforts to achieve the interconnection and digitalization of plants. Related projects: Connected Machines, HMI 4.0, AGV and Artificial Intelligence.

**Smart Services:** an area that has seen the creation of services to be offered to BU Machining. Related projects: Connected Field Force, Smart Maintenance Suite, Cybersecurity

**Smart Factory:** area dedicated to strengthening and innovation of the physical infrastructure of CMD. Related projects: Smart Manufacturing, Digital Working, Virtual Commissioning (Robot), Smart Documentation.

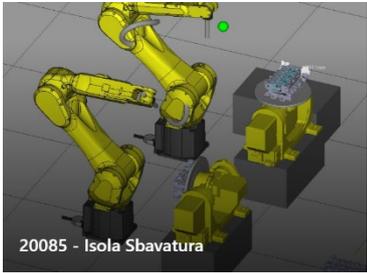
**Smart Organization:** area dedicated to the development of digital solutions for the improvement of communication and the growth of skills of CMD employees. Related projects: Intranet, IT Service Desk, Quality 4.0, E-learning ESCA+, Business Intelligence Dashboards.

**Innovations of 2020:** CMD Automation has pushed to explore the frontier of Virtual commissioning of co-operating robots. Software is the invisible part of any project, but it is often the most important and undervalued part.

The virtual commissioning of robotic systems helps to reduce the time and commissioning costs by 40-50% allowing to achieve a better quality of control processes.

- Testing of whole process including software.
- Testing of interfaces and communication between FANUC/COAMU robots and Plcs, machines, manual stations and support plants.
- Interface and communication testing between cooperating robots
- Full-scale virtual commissioning of robotic cells and robots in our production departments.
- Training of operators to work in robotic lines and cells.
- Secure optimization and improvement of production systems with offline modifications of plants and controls in emulation environment.

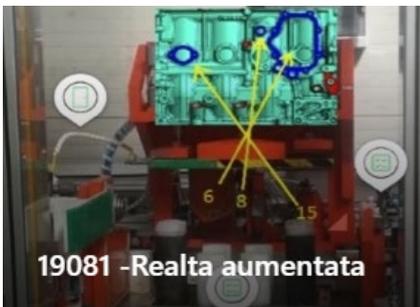
The project 20085 Island deburring engine tested is the most appropriate example of the use of the Virtual Commissioning, the island configured with 3 cooperating robots has been inserted within our line of engine headers "Bruno Negri" interfaced with as many robots.

<p>20085 Isola di sbavatura testate motore</p> <p>Digital Twin</p>	<p>20085 Isola di sbavatura</p>
 <p>20085 - Isola Sbavatura</p>	

• Other projects year 2020

<ul style="list-style-type: none"> <li>• Qualità 4.0</li> </ul>	<ul style="list-style-type: none"> <li>• I.IoT</li> </ul>
 <p>20084 - Marcatrice Fondium</p>	 <p>19077 - Software gestione Sensore I-IoT</p>

• 2019 projects closed in 2020

<p>Augmented Reality</p>	<p>Qualità 4.0</p>	<p>Automation Prova tenuta Basamento motore</p>
 <p>19081 - Realta aumentata</p>	 <p>19075 - Marcatrice Laser Basamento F5</p>	

- The following projects were planned for 2021

AGV - Automated Guided Vehicle	Artificial intelligence	Cybersecurity – su reti IT/OT
 <p>17021 - AGV Active Shuttle</p>	 <p>19069 - AI Algorithmi linea VMA630</p>	 <p>20092 - Cybersecurity</p>

The development of these technologies is carried out with an open innovation perspective, encouraging international collaborations with universities and research centers, as well as participating in funded projects.

In CMD, the development of innovation is widespread, resulting from ideas of individuals, collaborative innovation and the scouting of enabling technologies.

Pursuant to and for the purposes of paragraph 1 of the third paragraph of art. 2428 of the Italian Civil Code, it is attested that during the year research and development activities were carried out relating, in particular, to.....

### Relationships with subsidiaries, associates, subsidiaries and subsidiaries

It should be noted that relations with the companies referred to in the third paragraph of point 2 of Art. 2428 of the Italian Civil Code have been maintained.

They refer:

- to the reversal of costs incurred during the year by the Company on behalf of the parent company
- to the last tranche of the amount that Loncin has granted to the Company for the temporary transfer of know-how of the CMD to the same, of which Euro 450mila already cashed at the date of this document. The remaining part of the credit will be collected by 30 June 2021, as per the agreement signed between the parties
- the cost of the parent company's seconded staff to the Company;
- to the Shareholders' Meeting received during the year 2020, paid in proportion to the percentages of participation in the share capital, in response to the proposal for financing of the shareholders made by the Administrative Body of the Shareholders' Meeting of 4/11/2019, in order to support investments in the Programme, the repayment of which will be one-off for each member no later than three years from the date of disbursement, unless further extension by the lender, as indicated above.

### Receivables from the parent company recorded in the current assets

Detail	2020 year	2019 year	Absolute variation
Parent company receivables	1.373.744	323.744	1.050.000
<i>Total</i>	<i>1.373.744</i>	<i>323.744</i>	<i>1.050.000</i>

**Payables from the parent company recorded in the current assets**

Detail	Year 2020	Year 2019	Absolute variation
Parent company liabilities	390.000	390.000	-
Shareholders loan	3.750.000	-	3.750.000
<i>Totale</i>	<i>390.000</i>	<i>390.000</i>	<i>-3.750.000</i>

**Treasury shares**

Pursuant to articles 2435-bis and 2428 of the Italian Civil Code, it should be noted that, at the end of the year, the company did not hold any treasury shares.

**Shares / allotment of shares of parent company**

Pursuant to art. 2435-bis and art. 2428, paragraph 3 nos. 3 and 4 of the Italian Civil Code, it should be noted that during the year the company did not hold shares or allotment of shares of the parent company.

## Foreseeable development of management

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Pursuant to and for the purposes of paragraph 6) of the third paragraph of art. 2428 of the Italian Civil Code, the purpose of this section is to represent the foreseeable evolution of economic and financial management for the coming years.

### 1) The macroeconomic situation in Europe (Source: European Commission)

The near-term outlook for the European economy looks weaker than expected last autumn, as the pandemic has tightened its grip on the continent. The resurgence in infections since the autumn, together with the appearance of new, more contagious variants of the coronavirus, have forced many Member States to reintroduce or tighten containment measures. The European economy is thus expected to have ended 2020 and started the new year on a weak footing. However, light has now appeared at the end of the tunnel that the European economy entered almost exactly one year ago.

As vaccination campaigns gain momentum and the pressure on health systems to subside, containment measures are set to relax gradually. Activity is thus forecast to pick-up, still moderately in the second quarter, but more vigorously in the third, led by private consumption with additional support from global trade. The breakthrough development of vaccines in the autumn and the start of mass vaccination campaigns has brightened the outlook beyond the near term.

Finally, the European economy showed considerable resilience in the second half of the year, rebounding vigorously in the third quarter. Overall, GDP is now forecast to grow by 3.7% in 2021 and 3.9% in 2022 in the EU, and by 3.8% in both years in the euro area.

The EU economy would reach the pre-crisis level of output earlier than anticipated back in the Autumn Forecast, largely because of the stronger momentum in the second half of 2021 and in 2022. The speed of the recovery will, however, vary significantly across the EU. Some countries have suffered more during the pandemic than others, whereas some are more dependent on sectors such as tourism, which are likely to remain weak for some time. As a result, while some Member States are expected to see economic output return to their pre-pandemic levels by the end of 2021 or early 2022, others are forecast to take longer.

These projections are subject to significant uncertainty and elevated risks, predominately linked to the evolution of the pandemic and the success of vaccination campaigns.

On the positive side, the vaccination process could lead to a faster easing of containment measures and therefore an earlier and stronger recovery. Moreover, the strength of the rebound could surprise on the upside driven by a burst of post-crisis optimism that would unleash stronger pent-up demand and innovative investment projects, thanks to historically high household savings, low financing costs, and supportive policies.

On the negative side, the pandemic could prove more persistent or turn out more severe in the near term, pushing back the expected recovery. There is also a risk of deeper scars in the fabric of the European economy and society inflicted by the protracted crisis, through bankruptcies, long-term unemployment, and higher inequalities. The uncertainties around the forecast are illustrated by the scenario analysis presenting alternative paths for the European economy under different sets of assumptions.

Last, but not least, an ambitious and swift implementation of the NextGenerationEU programme, including its Recovery and Resilience Facility, should provide a strong boost to the EU economy.

### 2) The macroeconomic situation in Italy (Source: European Commission)

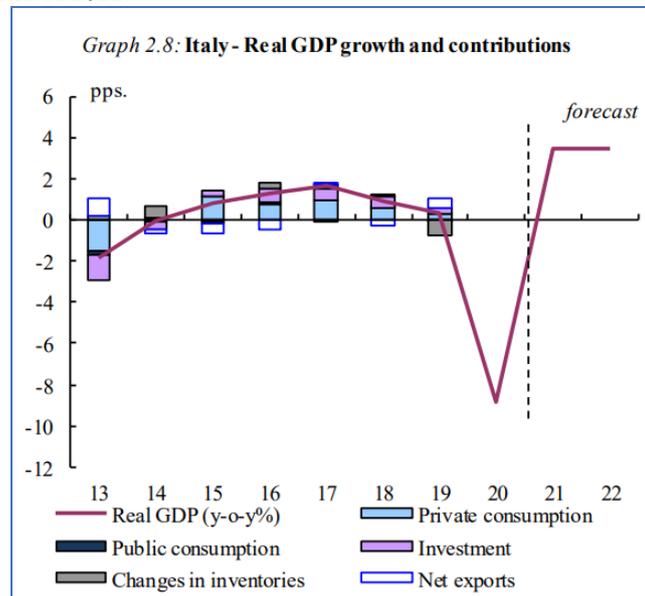
After the strong rebound in real GDP over the summer when the Italian economy recovered almost three fourths of the output loss incurred in the first half of 2020, the COVID-19 pandemic has again tightened its grip. Rising infection and hospitalisation rates required the government to reimpose restrictions on mobility and economic activity, implying an output contraction in autumn that is likely to continue into the first quarter of 2021. However, compared to spring 2020, the latest containment measures directly affect a much smaller fraction of economic activity.

In particular, the industrial sector, which accounts for a large share of the Italian economy, and the construction sector, continue to operate without restrictions, which prevented an even larger output drop in Q4 2020. By contrast, contact-intensive services including tourism continue to reel under the pandemic's economic impact and are again set to take the brunt of the imposed selective lockdown measures.

Based on quarterly GDP outturn data, real output fell by 8.8% in 2020. Owing to the negative carry over from the fourth quarter of 2020 and the weak start to this year, real GDP is projected to expand by 3.4% in 2021. Real output is set to grow at a similar pace in 2022 on the back of the momentum gained in the second half of this year and the continued recovery of the services sector.

The projected recovery rests on continued policy support to cushion the fallout from the pandemic on earnings and jobs and to preserve the viability of cash-strapped firms, particularly SMEs. Nonetheless, real GDP is not expected to fully return to its 2019 level by the end of 2022.

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### 3) The growth prospects

Despite this state of uncertainty, the long-term growth drivers linked to the consolidation of mechanical processing orders (automotive) and the diversification of the business in sectors such as the energy transition towards renewable sources (Eco20x, hydrogen, gas), electrification processes (hybrid marine engine, e-bike, electric mobility) and the development of diesel, petrol and hybrid aero-piston engines.

#### The automotive market

In 2020 we are witnessing a fall in foreign trade, due both to the limitations deriving from the measures to combat the spread of the Covid19 pandemic, and to the strong economic uncertainties that derive from them. In the EU27, non-EU27 exports decreased by 9% (€ 200 billion decrease in value), but, thanks to the greater decrease in imports (-12%), the trade surplus rose to over EUR 217 billion, against 191.5 billion in 2019.

The automotive sector suffers even more, whose exports fall by 14% and the balance is positive by EUR 112 billion, against 126 billion in 2019. In Italy, exported goods are reduced, between January and December 2020, by 9, 7%, while imports of goods are reduced by 12.8%.

In Italy too, the automotive sector was down more than average: exports of new cars dropped by 12% and generated a negative balance in value of EUR 5.6 billion. The export of components while maintaining a positive balance of EUR 5.5 billion in 2020, is reduced by over a billion compared to 2019.

Industrial production, in the year, dropped in EU countries by 8%, with the Auto sector reducing its index by 22%. Italy is worse than the average with a production of the industry as a whole that drops 11%, but falls a little less than the average in the auto sector, -21%.

After a year that saw the sharpest drop ever in EU car sales due to the COVID-19 pandemic, the European Automobile Manufacturers' Association (ACEA) forecasts that 2021 will mark a first step on the path to recovery, with sales rising by about 10% compared to 2020. The fallout of COVID is expected to persist into the first quarter of 2021, but the car market should pick up in the second half of the year as vaccination programmes progress.

If this forecast were to be realized, the CMD should approach the volumes that characterized 2019.

#### The marine engines market

The trend of the nautical market in 2020 is described by the results of the statistical questionnaire relating to the trend in nautical turnover presented during the General Assembly of Confindustria Nautica last December on the basis of the forecasts for the closing of the 2020 financial statements.

As regards the pleasure craft sector, 44% of the sample indicated an increase in turnover and 41% estimated a contraction. With regard to the product segments of accessories and engines, the reduction in turnover is similar in percentage to that of shipbuilding, while that of stability reaches 35%, with the consequent erosion of a share of that of growth in turnover. Data indicating a possible closure of 2020 for the nautical industry on global turnover levels similar to those of the previous year, around 4.8 billion euros.

As regards the forecast of the nautical market in the year 2021, the companies of the nautical industry seem to demonstrate greater confidence compared to 2020. In particular, for the pleasure craft sector, more than two out of three associated companies indicate growth compared to the previous nautical year, with only 7% of the sample indicating a possible contraction. As for the accessories / engines segment, 41% of the sample reports growth and 49% stability. It is clear that, in any case, a growth forecast will not correspond to a return to pre-Covid levels.

As regards the CMD, a consolidation is estimated and an approximation to pre-Covid volumes thanks to the commercial development of the new marine hybrid engine which has met with enormous success following the first nautical applications that have occurred in the past.

The strength of this engine lies in the fact that it offers the possibility of combining the advantages of an internal combustion engine in a single vehicle: speed, power and long range and those of an electric one: zero emissions, no noise and reduced generation of wavy way. The boat can easily switch from one mode to another while it is in motion and even pass through protected marine areas without impacting the environment.

### **The biomass renewable energy sector**

From forest maintenance to the recycling of agri-food waste: if well exploited, bioenergy can be decisive for the 2030 energy-climate objectives and for the country's economic recovery.

They are zero-kilometer resources, renewable, programmable and economic. But above all they are one of the banners of the circular bioeconomy, that model of development that today is opposed to the traditional "extractivist economy". We are talking about biomass, one of the energy sources with the greatest potential in Italy and, in many ways, also the least valued.

Thanks to these flows, Italy today produces about 4 TWh of electricity and 86 TWh of thermal energy per year (RSE estimates). A limited but potentially significant contribution for the purposes of the energy transition and the EU 2030 objectives, as well as from the point of view of the enhancement and protection of the forest heritage.

The national bioenergy and wood biomass supply chain in particular has created a virtuous circle in the area, promoting territorial development in the so-called "internal and marginal" areas. And it has become a key sector of the circular economy, able to exploit residues and by-products at the local level.

Italy has bad record: the highest degree (about 78%) of energy dependence from abroad among the major European economies. In this context, the energy transition to which all EU states are called, offers an important opportunity to enhance national renewable resources and become independent in a sustainable way.

How can biomass contribute? According to experts, if we simply limited ourselves to reaching the European average levels of use of woody biomass and made the most of cogeneration plants, we could increase annual production by 7.5 TWh of electricity and 30 TWh of heat. All while guaranteeing a constant, programmable and flexible contribution. Not only. From an industrial point of view, bioenergy has a strong link with the national territory, where it generates important repercussions in terms of employment and income.

And it is in this context that the market development of our Eco20x micro-cogenerator is framed, strengthened by the new production and research unit that is expected to be completed in 2021, located in the headquarters of San Nicola La Strada (CE) and dedicated to development and construction of the Eco20 micro-cogenerator, as well as the headquarters of the Biosyn Research Infrastructure as part of the Borgo 4.0 project.

### **The e-bike sector**

E-bikes and electric scooters are becoming increasingly popular due to growing concerns about environmental pollution and the shift towards a more sustainable ecosystem in the automotive sector. Several countries have adopted policies aimed at reducing air pollution and vehicle emissions.

2020 was a year with the highest sign in all sectors of two-wheeled electric mobility. The eBikes mark a + 20% while the electric scooters even a + 268.8%. Electric two-wheelers recorded a huge increase in 2020. The eBikes, also driven by the bike bonus, marked a + 20% compared to 2019 and, despite the covid emergency, 10,000 vehicles (motorcycles and scooters) were registered, recording a convincing + 84.5%.

According to data collected by Ancma, the eBikes sold would be around 40 thousand units more than in 2019. If, as regards eBikes, confirming this year's trend without incentives would already be a success, the impulse to the scooter and motorcycle market is not should continue to grow thanks to the renewal of the eco-bonus, which provides for an allocation of 150 million euros until 2026.

In this context, CMD is intercepting the growth potential of this sector by offering medium / high quality e-bikes at competitive prices for large distributors in the sector of primary standing.

### **The piston aircraft engine sector**

For several years, CMD has entered the Aviation segment by developing two piston engines with aeronautical propulsion, the GF56 and the CMD22. The first is a two-stroke common rail diesel with a displacement of 5600 cc aimed at the general aviation market in the CS23 and FAR33 aircraft category. The second is a gasoline engine intended for the light aviation segment for aircraft weighing up to 1200 kg (ELA1) which includes the VLA, LSA, CS-22 classes.

The project represents a new market segment in which the CMD company intends to enter.

As mentioned, the Company is completing an investment project specifically dedicated to the construction of an engine production plant for the aeronautical segment. The project involves the implementation of an investment program in the Industrial Area of Atella (PZ) having as its object the creation of an aeronautical engine center through the construction of a new production unit dedicated to the development, production and marketing of piston engines for the general aviation and ultralight aircraft market.

In detail, the program in question has already seen the purchase of ownership of an industrial warehouse, as well as the realization of investments in machinery, plants, equipment, intangible assets and movable assets in order to create a modern and efficient production unit capable of support the growth and development strategies of the group to which it belongs in relation to which the CMD plays a strategic role in the European market.

In particular, the project initiative which saw a spending plan for over 21.3 million euros of tangible and intangible investments and 13.9 million euros of investments in Research and Development, characterized by innovative processes inspired by the concept of open Innovation, was awarded the SMAU award in 2019 and, in 2018, was awarded the Ministerial financial aid provided by Invitalia through the Development Contract.

In relation to the economic and financial forecasts relating to the business unit, the prospects for the segment allow for large growth margins with particular reference to applications on light aircraft with power below 500 HP. Segment with a present value of 300 million a year with an expected annual growth rate (CAGR) of 6%.

Added to this are the prospects of commercial penetration that can be acquired in the international market thanks to specific market research and interaction with possible customers in the transport sector, it is estimated that CMD will achieve relevant market share of approximately 10% in the next 5 years. It is noted that the market assumptions underlying the company's economic and financial forecasts are based on completion of the installed production capacity, the development investments made and obtaining the necessary certification.

## Use of financial instruments relevant to the assessment of assets, liabilities, the financial situation and the economic results

The company's financial risk management objectives and policies, including the hedging policy for each major category of operations envisaged, can thus be summarised.

During the financial year 2020, the Company has set aside a reserve for operations to hedge the expected cash flows for the signing of two derivative contracts with Banco BPM and Intesa Sanpaolo Spa to cover the interest risk associated with the debt in the 50% pool with Intesa San Paolo and Banco BPM themselves, as indicated in the Notes to the Financial Statements for 2020. The signing of these new derivative contracts was carried out on 10/02/2020 with both institutions, with a value equal to the notional of 1,200 thousand euro each in line with the underlying transaction in the pool with a total value of 2,400 thousand euro with a maturity of 04/12/2029. The bank parameter is the 3-month Euribor, the customer parameter is 0.0390%. This instrument has been designated as a hedging financial instrument (according to the indications provided by CIU 32 - Financial derivatives). As the conclusion was concluded on 10/02/2020, the fair value of the derivative was recognised, as per previously stated accounting policies, in a dedicated equity reserve (in AVII "Provision for hedging expected cash flows") the counterpart of which will be a provision for risks in B 3 "financial derivatives liabilities" of equal amount, in how much the mark to market of year-end 2020 has a negative value of - 66mila euros.

## Company's branches

In compliance with the provisions of art. 2428 of the Italian Civil Code, the following are company's branches:

Address	Place
ZONA INDUSTRIALE LOTTO 3	MORRA DE SANCTIS
VIA PACINOTTI 2	SAN NICOLA LA STRADA
VIA BARBERINI N.95	ROMA
CORSO EUROPA N.13	MILANO
Z.I. VALLE DI VITALBA N.3	ATELLA
LOCALITA' CARTOFICHE NUC. INDUSTRIALE	ATELLA

## Conclusions

Dear Shareholders, in light of the considerations made in the previous points and what is set out in the Notes, we invite you to:

- to approve the financial statements for the year ended 31/12/2020 together with the accompanying notes and this report;
- to allocate the operating result in accordance with the proposal made in the notes to the financial statements, as follows:
  - Euro 86.191 to the legal reserve;
  - Euro 1,637,638 to the extraordinary reserve.

San Nicola La Strada (CE), xx/04/2021.

Il Consiglio di Amministrazione  
 Yong Gao, Presidente  
 Mariano Negri, Consigliere e Amministratore delegato

Giorgio Negri, Consigliere  
Jingyu Huang, Consigliere