

General information about the company

Personal data

Name: CMD COSTRUZIONI MOTORI DIESEL SPA

Site: Nucleo Industriale Valle di Vitalba ATELLA PZ

Share capital: 16,829,887.00

Social capital fully paid: Yes

Chamber of Commerce code: PZ

VAT number: 03326801218

Tax ID code: 05913290630

Rea number: 78972

Legal form: Società per Azioni

Main business sector (ATECO): 256200

Company in liquidation: no

Sole shareholder company: no

Company subject to management and coordination by others: no

Name of the company or entity that exercises management and coordination:

Membership in a group: no

Name of the parent company:

Country of the parent company:

Registration number in the register of cooperatives:

Financial statements at 31/12/2021

Ordinary balance sheet

	12/31/2021	31/12/2020
Active		
B) Fixed assets		
I - Intangible fixed assets	-	-
1) start-up and expansion costs	85,000	132,412
2) development costs	15,554,583	14,075,764
3) industrial patent rights and rights to use intellectual property	423.996	550.977
4) concessions, licenses, trademarks and similar rights	153,092	247.676
7) others	9.191	12,878

	12/31/2021	31/12/2020
<i>Total intangible fixed assets</i>	16.225.862	15.019.707
II - Tangible fixed assets	-	-
1) land and buildings	11,379,576	11.379.575
2) plants and machinery	25.307.204	16,741,065
3) industrial and commercial equipment	8,295,673	6.980.351
4) other assets	593.220	467.290
5) assets under construction and advances	12.043.155	11.981.060
<i>Total tangible fixed assets</i>	57.618.828	47.549.341
III - Financial fixed assets	-	-
1) equity investments in	-	-
d-bis) other companies	15,950	15,950
<i>Total holdings</i>	15,950	15,950
3) other titles	129,489	129,489
<i>Total financial fixed assets</i>	145.439	145.439
<i>Total fixed assets (B)</i>	73.990.129	62.714.487
C) Current assets		
I - Inventories	-	-
1) raw, ancillary and consumable materials	9.509.096	9.204.526
2) work in progress and semi-finished products	529.226	412.549
4) finished products and goods	5,748,650	5,844,231
5) down payments	1,449,000	1,510,475
<i>Total inventories</i>	17,235,972	16,971,781
Tangible fixed assets intended for sale	-	1,380,530
II - Credits	-	-
1) towards customers	5,962,853	10,315,881
due within the next financial year	5,962,853	10,315,881
4) towards parent companies	473.744	1,373,744
due within the next financial year	473.744	1,373,744
5-bis) tax credits	4,400,306	3,082,226
due within the next financial year	2,525,109	1,845,903
due beyond the next financial year	1,875,197	1,236,323
5-ter) prepaid taxes	2,414,442	1,757,963
5-quater) towards others	12,612,897	11.205.280
due within the next financial year	12,612,897	11.205.280

	12/31/2021	31/12/2020
<i>Total credits</i>	25.864.242	27.735.094
IV - Cash and cash equivalents	-	-
1) bank and postal deposits	4,131,714	5,594,772
3) cash and cash equivalents	63	499
<i>Total cash and cash equivalents</i>	4,131,777	5,595,271
<i>Total current assets (C)</i>	47,231,991	51,682,676
D) Accruals and deferrals	797.833	922.073
<i>Total assets</i>	122,019,953	115.319.236
Passive		
A) Shareholders' equity	43.961.423	43,660,964
I - Capital	16,829,887	16,829,887
II - Share premium reserve	11.872.768	11.872.768
IV - Legal reserve	687.971	601.780
V - Statutory reserves	34,623	34,623
VI - Other reserves, indicated separately	-	-
Capital contributions	1,490,730	1,490,730
Various other reserves	12,808,859	11.171.213
<i>Total other reserves</i>	14,299,589	12,661,943
VII - Reserve for hedging operations of expected financial flows	(5,483)	(63,866)
IX - Profit (loss) for the year	242.068	1,723,829
Total equity	43.961.423	43,660,964
B) Provisions for risks and charges		
2) for taxes, even deferred	1,756,008	837.230
3) passive derivative financial instruments	5,483	63,866
<i>Total provisions for risks and charges</i>	1,761,491	901.096
C) Employee severance indemnity	416.684	406.427
D) Debts		
1) bonds	4,400,000	5,984,000
due within the next financial year	4,400,000	5,984,000
3) payables to shareholders for loans	5,781,557	5,634,681
due beyond the next financial year	5,781,557	5,634,681
4) payables to banks	26,652,651	25,384,388
due within the next financial year	4,397,663	2,812,477
due beyond the next financial year	22,254,987	22,571,911

	12/31/2021	31/12/2020
5) payables to other lenders	776.380	3,322,652
due within the next financial year	776.380	3,316,705
due beyond the next financial year	-	5,947
6) advances	212.302	1,510,079
due within the next financial year	212.302	1,510,079
7) trade payables	18.350.901	8,886,479
due within the next financial year	18.350.901	8,886,479
11) payables to parent companies	390,000	390,000
due within the next financial year	390,000	390,000
12) tax payables	2,911,756	4,329,480
due within the next financial year	407.746	1,397,862
due beyond the next financial year	2,504,010	2,931,618
13) payables to welfare and social security institutions	750.774	447.429
due within the next financial year	750.774	447.429
14) other debts	1,460,298	1,143,027
due within the next financial year	1,460,298	1,143,027
<i>Total debts</i>	<i>61,686,619</i>	<i>57.032.215</i>
E) Accruals and deferrals	14.193.736	13.318.534
<i>Total liabilities</i>	<i>122,019,953</i>	<i>115.319.236</i>

Ordinary Income Statement

	12/31/2021	31/12/2020
A) Value of production		
1) revenues from sales and services	37.812.705	20.505.242
2) changes in inventories of work in progress, semi-finished and finished products	21,096	(2,269,268)
4) increases in fixed assets for internal work	3,495,713	3,088,328
5) other revenues and income	-	-
operating grants	-	49,336
other	7,137,474	4,349,600
<i>Total other revenues and income</i>	<i>7,137,474</i>	<i>4,398,936</i>
<i>Total production value</i>	<i>48.466.988</i>	<i>25.723.238</i>
B) Costs of production		

	12/31/2021	31/12/2020
6) for raw materials, ancillary materials, consumables and goods	25,342,552	10.470.295
7) for services	3,759,747	3,129,441
8) for use of third party assets	335.217	349.412
9) for the staff	-	-
a) wages and salaries	7,135,587	5,286,546
b) social security contributions	1,137,935	1,102,291
c) severance indemnity	326.245	292.897
e) other costs	124,075	24,428
Total personnel costs	8,723,842	6,706,162
10) depreciation and write-downs	-	-
a) amortization of intangible fixed assets	6,137,805	-
b) depreciation of tangible fixed assets	30,530	-
c) other write-downs of fixed assets	-	1,233,646
d) write-downs of receivables included in current assets and liquid assets	200,000	824.832
Total depreciation and write-downs	6,368,335	2,058,478
11) changes in inventories of raw, ancillary and consumable materials and goods	(304,570)	(1,520,042)
14) various management charges	2,035,956	1,206,097
Total production costs	46.261.079	22,399,843
Difference between value and cost of production (A - B)	2,205,909	3,323,395
C) Financial income and expenses		
16) other financial income	-	-
d) income other than the above	-	-
other	161	16,921
Total income other than the above	161	16,921
Total other financial income	161	16,921
17) interest and other financial charges	-	-
other	1,089,788	945.074
Total interest and other financial charges	1,089,788	945.074
17-bis) exchange gains and losses	5,660	2,830
Total financial income and charges (15 + 16-17 + -17-bis)	(1,083,967)	(925,323)
Result before taxes (A-B + -C + -D)	1,121,942	2,398,072
20) Income taxes for the year, current, deferred and prepaid		
current taxes	-	69.562
taxes relating to previous years	617.574	539.188

	12/31/2021	31/12/2020
deferred and prepaid taxes	262.300	65,493
<i>Total income taxes for the year, current, deferred and prepaid</i>	<i>879.874</i>	<i>674.243</i>
21) Profit (loss) for the year	242.068	1,723,829

Cash flow statement, indirect method

	Amount as of 12/31/2021	Amount as of 12/31/2020
A) Cash flows deriving from operating activities (indirect method)		
Profit (loss) for the year	242.068	1,723,829
Income taxes	879.874	674.243
Interest expense / (assets)	1,083,967	925.323
(Dividends)	1,233,646	
<i>1) Profit (loss) for the year before income taxes, interest, dividends and capital gains / losses on disposal</i>	<i>3,439,555</i>	<i>3,323,395</i>
Adjustments for non-monetary items that have not had a counterpart in the net working capital		
Provisions to funds	14,647	5,018
Depreciation of fixed assets	6,168,335	
Writedowns for permanent losses in value		1,233,646
Value adjustments of financial assets and liabilities of derivative financial instruments that do not involve monetary movements	(1,233,646)	
<i>Total adjustments for non-monetary items that have not had a counterpart in the net working capital</i>	<i>4,949,336</i>	<i>1,238,664</i>
<i>2) Cash flow before changes in net working capital</i>	<i>8,388,891</i>	<i>4,562,059</i>
Changes in net working capital		
Decrease / (Increase) in inventories	(1,044,600)	(209,847)
Decrease / (Increase) in trade receivables	4,114,598	2,507,875
Increase / (decrease) in trade payables	9,464,422	(3,827,934)
Decrease / (Increase) in accrued income and prepaid expenses	124,240	247.730
Increase / (decrease) in accrued liabilities and deferred income	875.202	1,869,340
Other decreases / (Other increases) in net working capital	(3,196,528)	(5,390,971)
<i>Total changes in net working capital</i>	<i>10.337.334</i>	<i>(4,803,807)</i>
<i>3) Cash flow after changes in net working capital</i>	<i>18.726.225</i>	<i>(241,748)</i>
Other adjustments		
Interest received / (paid)	(1,083,967)	(925,323)
(Use of funds)	(4,390)	(5,492)
<i>Total other adjustments</i>	<i>(1,088,357)</i>	<i>(930,815)</i>
Cash flow from operating activities (A)	17.637.868	(1,172,563)
B) Financial flows deriving from the investment activity		
Tangible fixed assets		

	Amount as of 12/31/2021	Amount as of 12/31/2020
(Investments)	(10,100,016)	(9,365,374)
Intangible assets		
(Investments)	(7,343,960)	(5,956,335)
Financial fixed assets		
(Investments)		(100,000)
Cash flow from investing activities (B)	(17,443,976)	(15,421,709)
C) Financial flows deriving from financing activities		
Third party means		
Increase / (decrease) in short-term payables to banks	1,585,186	(1,671,570)
Start-up of financing	3,858,743	15,409,342
(Repayment of loans)	-7.101.317	(6,459,583)
Cash flow from financing activities (C)	(1,657,386)	7,278,189
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(1,463,494)	(9,316,083)
Cash and cash equivalents at the beginning of the year		
Bank and post office deposits	5,594,772	14,908,826
Cash and cash equivalents	499	2,528
Total cash and cash equivalents at the beginning of the year	5,595,271	14,911,354
Cash and cash equivalents at the end of the year		
Bank and post office deposits	4,131,714	5,594,772
Cash and cash equivalents	63	499
Total cash and cash equivalents at the end of the year	4,131,777	5,595,271

Information at the bottom of the cash flow statement

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Explanatory note, initial part

Dear Shareholders, this supplementary note forms an integral part of the financial statements as at 31/12/2021.

The financial statements comply with the provisions of articles 2423 and following of the civil code and with the national accounting principles as published by the Italian Accounting Body; it therefore clearly and truthfully and correctly represents the equity and financial situation of the company and the economic result for the year.

The content of the balance sheet and the income statement is that provided for by articles 2424 and 2425 of the civil code, while the cash flow statement has been drawn up pursuant to art. 2425-ter.

The supplementary note, drawn up pursuant to art. 2427 of the civil code, also contains all the information useful for providing a correct interpretation of the financial statements.

Training criteria

Preparation of the budget

The information contained in this document is presented in the order in which the related items are indicated in the balance sheet and income statement.

With reference to what is indicated in the introductory part of these explanatory notes, we certify that, pursuant to art. 2423, paragraph 3 of the civil code, if the information required by specific legal provisions is not sufficient to give a true and correct representation of the company situation, additional information deemed necessary is provided. purpose.

The financial statements, as well as these explanatory notes, have been drawn up in units of euro.

Principles of drafting

The valuation of the items in the financial statements was carried out in compliance with the principle of prudence, relevance and with a view to continuing the business.

Pursuant to art. 2423-bis, paragraph 1, point 1-bis of the civil code, the recording and presentation of the items is carried out taking into account the substance of the transaction or contract.

In the preparation of the financial statements, the charges and income were entered according to the accrual principle regardless of the time of their manifestation and only the profits realized at the closing date of the financial year were indicated. Moreover, the risks and losses pertaining to the year were taken into account, even if they became known after the end of this.

Structure and content of the financial statements

The balance sheet, the income statement, the cash flow statement and the information of an accounting nature contained in these explanatory notes comply with the accounting records, from which they were directly derived.

In the presentation of the balance sheet and income statement, no groupings of the items preceded by Arabic numerals have been made, as instead optionally provided for by art. 2423 ter of the civil code.

Pursuant to art. 2424 of the Italian Civil Code, it is confirmed that there are no assets or liabilities that fall under more than one item in the financial statements.

Exceptional cases pursuant to art. 2423, fifth paragraph, of the Civil Code

There have been no exceptional cases that have made it necessary to resort to exceptions pursuant to art. 2423, paragraphs 4 and 5 of the civil code.

Changes in accounting principles

There have been no exceptional cases that have made it necessary to resort to exceptions pursuant to art. 2423-bis paragraph 2 of the civil code.

Problems of comparability and adaptation

Pursuant to art. 2423 ter of the Italian Civil Code, it is specified that the items in the financial statements relating to intangible fixed assets are not comparable with respect to the previous year as the Company last year, in compliance with the provisions of article 60, paragraphs 7-bis to 7 -quinquies of legislative decree 104/2020 , had not set aside any amortization in the financial statements. In the closing financial statements, however, the intangible fixed assets were subject to amortization.

It should be noted that all the other items in the financial statements were comparable with the previous year; there was therefore no need to adapt any items from the previous year.

Appraisal criteria applied

The criteria applied in the valuation of the balance sheet items and in the value adjustments comply with the provisions of the civil code and the indications contained in the accounting principles issued by the Italian Accounting Body. Furthermore, they have not changed with respect to the previous year.

Pursuant to art. 2427, paragraph 1, n. 1 of the civil code illustrates the most significant valuation criteria adopted in compliance with the provisions contained in art. 2426 of the civil code, with particular reference to those items in the financial statements for which the legislator admits various evaluation and adjustment criteria or for which no specific criteria are envisaged.

The company, at the end of the financial year, does not hold foreign currency receivables or payables.

Intangible assets

Intangible fixed assets, on the basis of the assumptions envisaged by the accounting principles, are entered in the balance sheet assets at purchase and / or production cost and are amortized on a straight-line basis according to their future usefulness.

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

Depreciation was carried out in accordance with the following pre-established plan, which is believed to ensure a correct distribution of the cost incurred over the useful life of the assets in question:

Items intangible fixed assets	Period
Start-up and expansion costs	5 years on a straight-line basis
Development costs	5 years on a straight-line basis
Patents and use of intellectual property	3 years on a straight-line basis
Grants, licenses, trademarks and similar rights	3 years on a straight-line basis
Other intangible fixed assets	On a straight-line basis according to the number of years of useful life

Any disposals of intangible assets that took place during the year resulted in the elimination of their residual value.

The amortization criterion of intangible fixed assets was applied systematically and in each financial year, in relation to the residual possibility of economic use of each individual asset or expense.

The accounting of public grants received in relation to intangible fixed assets took place with the indirect method. The grants, therefore, were charged to the income statement under item A5 "other revenues and income" and, therefore, deferred on an accrual basis to subsequent years by posting deferred income.

Pursuant to and for the purposes of art. 10 of the law of 19 March 1983, n. 72, and as also referred to by the subsequent monetary revaluation laws, it should be noted that no monetary revaluation has ever been carried out for intangible assets still existing in assets.

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

Start-up and expansion costs

The start-up and expansion costs have been entered in the balance sheet assets with the consent of the Board of Statutory Auditors as they have multi-year usefulness; these costs were amortized over a period not exceeding five years.

Development costs

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

Intangible assets

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

Tangible fixed assets

Assets belonging to the category of tangible fixed assets, recognized on the date on which the risks and benefits associated with the acquired asset are transferred, are recognized in the financial statements at purchase cost, increased by any additional charges incurred up to the moment in which the assets are ready for use and in any case within the limit of their recoverable value.

Costs incurred during the year that led to an actual increase in productivity, useful life or the consistency of the assets were charged to the increase in the value of the assets to which they refer.

These assets are shown in the balance sheet assets net of accumulated depreciation and write-downs

Notwithstanding the provisions of article 2426, first paragraph, no. 2 of the Italian Civil Code regarding the annual depreciation of tangible and intangible fixed assets, the Company has made use of the option provided for by art. 60 DL. 104/2020 to suspend the depreciation of tangible fixed assets in order not to incur an operating loss (AB) recorded due to the slow recovery of the Company's "core" turnover (-31%) and margins (-31%) before pandemic deriving from the spread of Covid 19.

To this end, the Company, again 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 financial year, therefore, did not carry out 100 percent of the annual depreciation of the cost of tangible fixed assets, maintaining their book value, as resulting from the last duly approved annual financial statements. The depreciation charge not made pursuant to paragraph 7-bis will be charged to the income statement relating to the following year and subsequent installments are deferred with the same criterion, thus extending the amortization plan by one year for this amount. The Company, pursuant to paragraph 7-ter, has allocated an unavailable reserve of profits for an amount corresponding to the depreciation charge not made.

Finally, pursuant to paragraph 7-quinquies of article 60 of Law no. 126 of 13 October 2020, the companies that have made use of the derogation can in any case proceed with the deduction of depreciation (to an extent equal to the deductible amount based on the Consolidated Income Tax Act) for both IRES and IRAP purposes, regardless from the recognition of the same in the income statement. As a consequence of this, the Company, by choosing to deduct the depreciation not recognized in the income statement, in compliance with the OIC 25 "Income Taxes" accounting standard, recorded the correlative deferred taxes, as better described below.

The influence of this choice on the representation of the equity and financial situation and the economic result of the year is reported in the paragraph relating to shareholders' equity.

Any disposals of assets (sales, scrapping, etc.) occurred during the year resulted in the elimination of their residual value. Any difference between the book value and the disposal value was recognized in the income statement.

In the event that, regardless of the depreciation already accounted for, there is a permanent loss in value, the asset is correspondingly written down; if in subsequent years the reasons that justified the write-down no longer apply, the original value is restored, within the limits of the value that 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 refer and amortized in relation to the residual possibility of using them.

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

Tangible fixed assets when they are destined for sale are reclassified in a specific item under current assets and therefore valued at the lower of the net book value and the realizable value inferable from the market trend. Assets intended for sale are no longer subject to depreciation.

The accounting of the public grants received in relation to tangible fixed assets took place with the indirect method. The grants, therefore, were charged to the income statement under item A5 "other revenues and income" and, therefore, deferred on an accrual basis to subsequent years by posting deferred income.

Spare parts are distinguished between: parts with a low unit cost, low total value and recurring use, which are recognized as costs at the time of purchase; spare parts with a significant unit cost and non-recurring use, which are classified among tangible fixed assets and depreciated over the period that appears to be shorter by comparing the residual useful life of the asset to which they refer and their useful life calculated by means of an estimate of use times and the pieces of significant unit cost and very recurring use, which are included among the inventories and unloaded according to consumption.

Advances to suppliers for the purchase of tangible fixed assets recorded in item B.II.5 are initially recognized on the date on which only the obligation to pay these amounts arises. Consequently, the advances are not subject to amortization.

It should be noted that it was not necessary to make write-downs pursuant to art. 2426 paragraph 1, n. 3 of the Italian Civil Code since, as required by accounting standard OIC 9, no indicators of potential permanent losses in value of tangible fixed assets were found.

Financial fixed assets

Equity investments and debt securities entered among fixed assets are intended for a lasting permanence in the Company's assets.

Equity investments are valued using the cost method adjusted for permanent losses in value.

The cost method assumes that the book value in the financial statements is determined on the basis of the purchase or subscription price, including ancillary costs. The book value of the investment, when the existence of a permanent loss in value is recognized, is reduced to its lower recoverable value, which is determined on the basis of the future benefits that are expected to flow to the investee's economy.

Financial fixed assets consisting of other securities have been recognized in the financial statements according to the amortized cost criterion in accordance with the provisions of art. 2426, paragraph 1, n. 1 of the civil code.

For debt securities for which the application of the amortized cost method has been verified as irrelevant, the recognition according to the purchase cost criterion including accessory charges was maintained. This occurrence occurred, for example, in the presence of underwriting or trading premiums or spreads or any other difference between the initial value and the value at maturity that are of little significance.

Moreover, it is specified that, based on the provisions of art. 12 paragraph 2 of Legislative Decree 139/2015, the company did not apply the amortized cost criterion to the securities recorded in the financial statements for the year ended before January 1, 2016.

It should be noted that it was not necessary to make write-downs on the securities pursuant to art. 2426, paragraph 1, n. 3 of the Italian Civil Code since, as required by accounting standard OIC 9, no indicators of potential impairment were found.

Financial leasing operations

Assets acquired under finance leases are accounted for, as required by the Legislator, according to the equity method with the recognition of leasing installments 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 presumed realizable value inferable from the market trend (art. 2426 number 9 of the civil code). Purchase cost means the actual purchase price plus ancillary charges, with the exclusion of financial charges.

In the case of goods, finished products, semi-finished products and work in progress, the net realizable value of these goods is taken as a reference for the determination of the realizable value inferable from the market trend. In the case of raw and ancillary materials that participate in the manufacture of finished products, they are not subject to devaluation if it is expected that the finished products in which they will be incorporated will be manufactured for a value equal to or greater than the production cost of the finished product.

Inventories are written down in the balance sheet when the realizable value inferable from the market trend is lower than the relative book value. Obsolete and slow-moving inventories are written down in relation to their possibility of use or realization.

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

Receivables recorded in current assets

Receivables pursuant to art. 2426, paragraph 1, number 8 of the civil code are recognized according to the amortized cost criterion, with the exception of receivables for which the effects of the application of the amortized cost, pursuant to art. 2423 paragraph 4 of the civil code, are irrelevant (expiry of less than 12 months).

Receivables for which the amortized cost criterion was not applied were recognized at their presumed realizable value.

The receivables, regardless of the application or not of the amortized cost, are shown in the financial statements net of the recognition of a bad debt provision to cover the receivables deemed uncollectible, as well as the generic risk relating to the remaining receivables, based on estimates made on the basis of past experience, the trend in the seniority indices of overdue loans, the general economic situation, sector and country risk, as well as on events occurring after the end of the year that have an impact on the values at the balance sheet date.

The amount of the provision to the bad debt provision is recognized in the income statement.

Receivables transferred as a result of factoring operations are eliminated from the balance sheet only if transferred without recourse, and if all the risks inherent to the credit are substantially transferred. The receivables sold with recourse, or in any case without all risks having been transferred, remain recorded in the financial statements and a financial liability of the same amount is recorded in the liabilities against the advance received.

Tax credits and deferred tax assets

The item 'Tax credits' includes certain and determined amounts deriving from credits for which a right of realization has arisen through reimbursement or set-off.

The item 'Deferred tax assets' includes deferred tax assets determined on the basis of the deductible temporary differences, applying the estimated rate in force at the time when it is believed these differences will reverse.

Cash and cash equivalents

Cash and cash equivalents at the end of the year are valued at nominal value. Any available funds denominated in foreign currencies are valued at the exchange rate at the end of the year.

Prepayments and accrued income

Accruals and deferrals include portions of costs and revenues pertaining to the year, but payable in subsequent years and portions of costs and revenues incurred by the end of the year, but pertaining to subsequent years, according to the principle of temporal competence.

In the registration as well as in the re-examination of deferred income with a multi-year duration, the existence or permanence of the temporal condition was verified.

Net assets

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

Provisions for risks and charges

The provisions for risks and charges are set aside to cover losses or debts of a determined nature, of certain or probable existence, the amount or date of occurrence of which cannot be determined at the end of the year. The provisions reflect the best possible estimate on the basis of the information available. The risks for which the occurrence of a liability is only possible are indicated in the note commenting on the provisions, without proceeding with the allocation of a provision for risks and charges. Provisions for risks and charges are recognized as a priority in the cost items of the income statement of the relevant classes (B, C or D). Whenever this correlation between the nature of the provision and one of the items in the aforementioned classes is not feasible, the provisions for risks and charges are entered under items B12 and B13 of the income statement.

Employee severance indemnity

The item severance indemnity has included how much the employees would be entitled to receive in the event of termination of the employment relationship at the balance sheet date. The changes made to the TFR regulations by Law no. 296 ("2007 Finance Law") and subsequent implementing Decrees and Regulations, modified the accounting criteria applied to the portions of severance indemnity accrued at 31 December 2006 and to those accruing from 1 January 2007, as with the establishment of the "Fund for the disbursement to employees of the private sector of the severance indemnities referred to in Article 2120 of the Italian Civil Code "(Treasury Fund managed by INPS on behalf of the State) employers who have at least 50 employees employed they are obliged to pay to this Treasury Fund the portions of severance pay accrued in relation to those workers who have not chosen to confer their liquidation portion to a supplementary pension fund. The amount of the severance indemnity shown in the financial statements is therefore indicated net of the amounts paid to the aforementioned INPS Treasury Fund.

Debts

Payables pursuant to art. 2426, paragraph 1, number 8 of the civil code are recognized according to the amortized cost criterion, with the exception of payables for which the effects of the application of the amortized cost, pursuant to art. 2423 paragraph 4 of the Italian Civil Code, are irrelevant (maturity less than 12 months) For the principle of relevance already referred to, the payables have not been discounted if the interest rate inferable from the contractual conditions is not significantly different from the rate of 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 beyond the financial year is carried out with reference to the contractual or legal maturity, also taking into account facts and events that may determine a modification of the original maturity.

Payables originating from acquisitions of assets are recognized when the risks, charges and benefits are transferred; those relating to services are recognized at the time the service is performed; financial and other types at the moment in which the obligation towards the counterpart arises.

Tax payables include liabilities for certain and determined taxes, as well as withholdings made as a substitute, and not yet paid at the balance sheet date, and, where offsetting is allowed, they are recognized net of advances, withholding taxes and receivables from 'tax.

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 be paid in the event of termination of the employment relationship.

The classification of payables among the various payable items is carried out on the basis of the nature (or origin) of the same with respect to ordinary management regardless of the period of time within which the liabilities must be extinguished.

Accrued liabilities and deferred income

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

In the registration as well as in the re-examination of deferred income with a multi-year duration, the existence or permanence of the temporal condition was verified.

Financial derivative instruments

Derivative financial instruments are financial assets and liabilities recognized at *fair value*.

Derivatives are classified as hedging instruments only when, at the start of the hedge, there is a close and documented correlation between the characteristics of the hedged item and those of the hedging instrument and this hedging relationship is formally documented and the effectiveness of the hedge, checked periodically, is high.

When derivatives hedge the risk of changes in the future cash flows of the hedged instruments (*cash flow hedge*), the effective portion of the profits or losses on the derivative financial instrument is suspended in equity. Gains and losses associated with a hedge for the ineffective portion are recognized in the income statement. When the related operation is carried out, the accumulated profits and losses, up to that moment recorded in the shareholders' equity, are recognized in the income statement when the related operation is carried out (as an adjustment or integration of the income statement items impacted by the hedged cash flows). The Company has decided to apply *hedge accounting* to hedge the variability of cash flows of financial liabilities due to fluctuations in interest rates.

Therefore, the changes in the relative *fair value* of hedging derivative financial instruments are recognized in a specific equity reserve (in the item AVII "Reserve for hedging operations of expected cash flows") in the case of hedging cash flows in accordance with such as to offset the effects of the flows hedged (the ineffective component, as well as the change in the time value of options and *forwards*, is classified in items D18 and D19).

Revenues

Revenues from the sale of goods are recognized when the substantial and non-formal transfer of the title of ownership has occurred, assuming the transfer of risks and benefits as a reference parameter for the substantial transfer.

Revenues from the sale of products and goods or from the provision of services relating to core business are recognized net of returns, discounts, allowances and bonuses, as well as taxes directly associated with the sale of products and the provision of services.

Revenues from the provision of services are recognized upon their completion and / or maturity.

Costs

Costs are accounted for on an accruals basis, regardless of the date of collection and payment, net of returns, discounts, allowances and bonuses.

Financial income and expenses

Financial income and expenses are recognized on an accruals basis. The costs relating to the disposal of receivables for any reason (with and without recourse) and of any nature (commercial, financial, other) are charged to the relevant year.

Income taxes

They are recorded on the basis of the estimated taxable income in accordance with the provisions in force, taking into account the applicable exemptions and the tax credits due.

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

Deferred tax assets are recognized for all deductible temporary differences, in compliance with the principle of prudence, if there is reasonable certainty of the existence in the financial years in which they will reverse a taxable income not lower than the amount of the differences that they will be canceled.

Conversely, deferred tax liabilities are recognized on all taxable temporary differences.

Other information

Transactions with an obligation to pay back at term

The company, pursuant to article 2427 n. 6-ter of the Italian Civil Code, certifies that during the year it did not carry out any operation subject to the obligation of retrocession at term.

Explanatory note, active

The movements of the individual balance sheet items are analyzed in detail below, in accordance with the provisions of current legislation.

Fixed assets

The value of intangible fixed assets, shown net of accumulated depreciation and write-downs, is equal to 16,226 thousand euros, compared to a value of 15,020 thousand euros in the previous year.

Intangible assets

Depreciation was carried out in accordance with the following pre-established plan, which is considered to ensure a correct distribution of the cost incurred over the useful life of the assets in question:

Items intangible fixed assets	Period
Start-up and expansion costs	5 years on a straight-line basis
Development costs	5 years on a straight-line basis
Industrial patent rights and intellectual property rights	3 years on a straight-line basis
Grants, licenses, trademarks and similar rights	3 years on a straight-line basis
Other intangible fixed assets	on a straight-line basis for the number of years of useful life

The **start-up and expansion costs** have been recorded in the financial statements with the consent of the board of statutory auditors. They refer to multi-year charges of 85 thousand euros.

Development **costs**, equal to 15,555 thousand euros, have been recorded in the balance sheet assets with the consent of the board of statutory auditors as having, according to prudent judgment, the characteristics required by OIC 24: the costs are recoverable and relate to specific development projects that can be carried out and for which the company has the necessary resources. Furthermore, it is believed that these projects will produce revenues to such an extent as to recover the capitalization of costs.

The Company's R&D activity is analytically illustrated in the Report on Operations.

The **industrial patent rights and rights to use intellectual property** amounted to a total of 424 thousand euros and mainly refer to costs relating to the purchase of ownership, by way of license for the use of the application software both for time determined that indefinitely, in addition to costs for projects and software created internally by the Automation Division of the Company's Machining BU thanks to the Know-How of the CMD built over the years and the costs for the certification of the EASYVENT CF01 medical device at the MISE, the pulmonary ventilator to support ventilation

through the supply of air at finely calibrated pressures, in a non-invasive way developed entirely by the Company's R&D offices.

The intangible "Know How" of the Company's Machining BU , identified above, defined as the technological capacity of the Company to engineer and design the entire production process (including if necessary the appropriate production lines) of the "engine" product, including the related testing and prototyping, is originally held, as it is the result of the gradual evolution of the company over thirty years, which has so far developed exclusively "internally", and is continuously fed, maintained and developed by significant and constant expenses for studies and research as well as the commitment of the Automation Division team . Most of the information - and specifically those relating to the design and construction of robotic islands - are currently incorporated in software programs already classified, such as " CMD project ID 17030 " registered with the SIAE during the year 2021, and for which also the Company is in the process of requesting and obtaining suitable legal protection.

In the Report on Operations, in the specific paragraph, the activity of the Automation Division of the Company's Machining BU is analytically illustrated .

Concessions , **licenses, trademarks and similar rights** amount to 153 thousand euros and refer to know-how costs for non-patented technology.

The **other intangible fixed assets** include the value relating to the capitalization of long-term charges for a value of 9 thousand euros.

The accounting of public grants received in relation to intangible fixed assets took place with the indirect method. The grants, therefore, were charged to the income statement under item A5 "other revenues and income" and, therefore, deferred on an accrual basis to subsequent years by posting deferred income.

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

Movements in intangible fixed assets

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

	Start-up and expansion costs	Development costs	Industrial patent rights and rights to use intellectual property	Grants, licenses, trademarks and similar rights	Other intangible fixed assets	Total intangible fixed assets
Value at the beginning of the year						
Cost	238.908	47.542.841	1,414,911	827.775	287.207	50,311,642
Depreciation (accumulated depreciation)	106,495	33,467,075	863.934	580.098	274.330	35,291,932
Book value	132,413	14,075,766	550.977	247.677	12,877	15.019.710
Changes during the year						
Increases due to acquisitions	-	7,123,880	168,689	46,388	-	7,338,957
Reclassifications (of book value)	-	-	5,000	-	-	5,000
Depreciation for the year	47,412	5,645,063	300,670	140.972	3,688	6,137,805
Total variations	(47,412)	1,478,817	(126,981)	(94,584)	(3,688)	1,206,152

	Start-up and expansion costs	Development costs	Industrial patent rights and rights to use intellectual property	Grants, licenses, trademarks and similar rights	Other intangible fixed assets	Total intangible fixed assets
Year-end value						
Cost	238.908	54,666,721	1,588,600	874.163	287.207	57.655.599
Depreciation (accumulated depreciation)	153.907	39.112.138	1,164,604	721.070	278,017	41.429.736
Book value	85.001	15,554,583	423.996	153,093	9.190	16.225.863

The increase in intangible fixed assets for € 7,344 thousand is due to the capitalized costs that the Company incurs, mainly, for the development of the GF56, CMD22 and CMD18 avio engines, in addition to the costs for the development of **energy projects**, inherent in the development of a micro -cogenerator fueled by residual biomass for the production of electricity and for the industrial production and large-scale diffusion of micro-scale power systems, based on the coupling between downdraft gasifiers and internal combustion engines, of **marine engine projects And on aviation engines**, relating to the development of the hybrid engine for both categories, and **projects on electric motors**, in the field of electric cars and specifically of full electric cars, proposing some innovative technological solutions capable of overcoming some critical aspects that currently they prevent the widespread diffusion of electric cars and jeopardize their total eco-sustainability. In particular, the item development costs has undergone an increase in the historical cost during the year 2021 of 7,124 thousand euros of which 1,532 thousand euros for the purchase of materials, 2,223 thousand euros relating to services and technical collaborations, 3,369 euros thousand relating to personnel costs used in development activities.

Detail of the composition of multi-year costs

Start-up and expansion costs

Compared to last year, the only change is represented by the depreciation charge for the year.

The detail is not considered relevant.

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

Development costs

The following table illustrates the details of development costs with evidence of the changes that have taken place with respect to the previous year. As regards the reasons for their registration and the respective depreciation criteria, please refer to the above.

Detail	2021	2020	Variation _ absolute	Variation _ %
GF56 Project (Avio)	5,275,916	4,245,732	1,030,184	24%
CMD22 / 18 Project (Avio)	4,751,232	4,852,683	-101.451	-2%
Hybrid Project (Avio) - mild hybrid	270,566	136,389	134.177	98%
Energy projects	2,892,125	2,542,696	349.429	14%
Hybrid Project (Marine)	2,364,744	2,298,264	66,480	3%
Total	15,554,583	14,075,764	1,478,819	

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Below we show you the main R&D activities carried out by our Company during the year ending.

The status of ongoing development projects is as follows:

- **GF56 development project:** related to the development, aimed at the production, of the GF56 engine, an innovative two-stroke common rail diesel engine with a displacement of 5600 cc with aeronautical propulsion for general aviation in the CS23 and FAR 23 aircraft category. gasoline used in the AG have high operating costs (high fuel costs, difficult availability of the same), high risk of fire due to the nature of the fuel, to which we must add another relevant aspect concerning pollution. For this reason there is strong pressure both in the United States and in Europe for the reduction of emissions and therefore there is a strong push in the search for an alternative to traditional gasoline engines.

In this market context, the potential of Diesel cycle engines is considerable and precisely linked to the technical / economic advantages which, despite having a slightly higher purchase cost than American engines of the same power, can use certified fuel more commonly distributed in all airports in the world. (diesel and kerosene) which has a much lower cost than aviation petrol.

The reduction in consumption and the lower cost of fuel make it possible to quickly repay the initial investment and subsequently to 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 of using fuels such as Jet A-1 or JP 8 which offer greater safety (low risk of flammability)

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

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

Reduction of flammability compared to a petrol engine

Increase in flight range with the same fuel on board

Noise reduction

Easy to find kerosene at all airports.

The development of the aforementioned engine took almost twenty years in which significant technological experiences and certifications were gained. The **Know How** , therefore, developed by the Company in this regard made it possible to “legitimately” define intellectual properties 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 certification process of the GF56 engine with the presentation of the application . During the 2020 financial year, it was necessary to formalize the launch of two “ Significant Change - DOA (Design Organization) ” due to:

1. modification of the PART 21 regulation which introduces the concept of the "Level of Involvement ";
2. enlargement of the “scope of work” due to the certification activities of the GF56 engine, which falls within the CS-E category, which means suitable for installation on CS-23 category aircraft (max 9 passengers).

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

The realization of the FADEC took place through an initial design phase in which all the project requirements were collected and all the design processes were implemented which were subsequently presented and validated by EASA, especially in the aspects related to the SW.

In the first phase of the project the following FADEC prototypes were produced

1. Model 0_B - Single ECU version
2. Model 0_C - Redundant ECU version

useful to confirm both the functional and safety requirements in order to guarantee the suitability of the FADEC Model_A to be submitted to the certification phase

The FADEC, although part of the engine, has a separate certification / qualification path from the engine. The FADEC for HW aspects must comply with the DO160G standard, while for the SW the DO178C standard.

The SW is qualified through 4 audits (SOI - Stage of Involvement) carried out by EASA.

While the qualification process is almost complete for the HW, 2 SOIs have been completed for the SW. The # SOI3 was planned at the beginning of May 2021; after about another month, # SOI4 was completed. The third internship, which is the most difficult, is expected to be completed by the end of April 2022. By summer 2022, however, the completion of SOI4 is planned.

The certification activities of the GF56 engine, on the other hand, had to slow down due to the results of the tests in progress relating to the propeller / engine coupling. The resolution of these problems postpones the certification date .

- **CMD22 and CMD18 development projects:** related to the development, aimed at the production, of two petrol engines, of different power and displacement, for the ultralight aviation segment, air-cooled with 4-cylinders, operating on the Otto cycle, 4 times, with electronic petrol injection in the intake manifold ("indirect" injection).

Today on the market there are various types of piston engines with different characteristics, depending on whether they are intended for traditional ultralight aircraft (tubes and canvas) or the latest generation of ultralights made of composite material much closer to the world of General Aviation. In fact, the former are generally two-cylinder, almost always 2-stroke with controlled ignition, while the latter are in almost all cases 4-cylinder 4-stroke. Considering this second class of engines, these are generally avionized versions of engines originally born for automotive applications, with the exception of the ROTAX 912 engine and the JABIRU 2200.

The development activities by CMD relating to the CMD22 ultralight petrol engine, 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 more reliable engine during flight phases and reduces consumption in favor of pollution and flight autonomy. During 2019, the **know-how** of CMD led to an evolution of the aforementioned engine, always with a view to achieving the achievement of aeronautical objectives. The engine (CMD18), therefore, will see the introduction of water cooling, a decrease in displacement and a simplification of the component manufacturing processes, an increase in performance.

The development of the aforementioned engine took almost twenty years in which significant technological experiences and certifications were gained. The **Know How** , therefore, developed by the Company in this regard made it possible to "legitimately" define intellectual properties by means of formal recognition, after a request submitted to the Ministry of Economic Development (trademark and patent office).

The CMD22 engine in addition to having passed all the tests agreed with EASA to reach the status of "certified aeronautical product" was installed on the sky aircraft arrow and supported a flight test campaign.

In 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 the approval certificate from EASA of the Design Organization (EASA 21J.709), valid for both aviation engine projects.

Prestigious result given that it places CMD as the second Italian company to hold an approval of its organization with the aim of designing aeroengines and the sixth in Europe.

The goal is the realization of the first CMD18 prototypes, which being an engine with a power-to-weight ratio not falling within the reference category, it is not possible to certify it CS22 SubH , therefore it is necessary to certify it EASA CS-E, considering that the development of the 180hp version will end. within the year, the certification can only start immediately after.

- **Hybrid aviation engine development project (Diprovel) :** related to the development of a hybrid-electric propulsion and energy system, for application on light aircraft, with adequate safety levels and high power density that demonstrates convenience compared to a traditional engine for assigned mission profiles, such as those corresponding to training flights. The system will be integrated into a light and ground-tested aircraft. The basic design idea involves creating a configuration with an electric machine, which functions as an engine and generator, on the shaft of the heat engine. The baseline heat engine is the CMD 22.

The conclusion of the project is expected in 2022.

- **Energy development project (Greenfarm):** carrying out activities aimed at the design of a photovoltaic system for the production of electricity on the roof of a building of 100 kW of power intended for self-consumption of the production site; and to the construction of a cluster of micro- cogenerators powered by residual woody biomass to serve a building without winter and summer air conditioning, operating with biomass pyrogasification for the

production of syngas suitable for powering endothermic engines for the production of electricity and energy thermal power with a total power of 300 kWe and 600 kWt intended for the self-consumption of the production site.

In fact, this project is aimed at increasing sustainability in agriculture through a substantial reduction in the use of fossil sources for energy generation subservient to food production and the recovery of waste materials for use as soil improvers, fertilizers or biostimulants to preserve resources. natural and increase yield. The main aims of the project are attributable to:

- increase in sustainability in agriculture and in the transformation chain with a reduction in energy consumption from the network;
- expansion of the know-how and market shares of the Italian agri-food chain in the greenhouse and hydroponic crops sector;
- identification of chemical and biological paths for the recovery of materials to be used for soil fertilization;
- experimentation of the use of marginal land for environmental phytoremediation (habitat restoration following excessive degradation) and of sites contaminated by phytoremediation;
- improvement of the economic and environmental sustainability of the protected crops sector;
- development of innovative bio -products specific for agriculture and protected crops;
- development of technologies for cultivation in extreme climates (arctic or desert regions).

The conclusion of the project was extended to 2023.

- **Energy development project (E - Mobility):** aims to introduce a product innovation in the electric car sector and specifically in full electric cars , proposing some innovative technological solutions capable of overcoming some critical aspects that currently prevent a wide diffusion of electric cars and jeopardize their total eco-sustainability. The project, in detail, starting from the analysis of the "full electric " car fleet present on the market today and considering the engine performance and range of the leading cars in the sector, proposes the improvement of the power train system , consisting of motors and drive motors and innovative logics capable of guaranteeing better engine performance, better energy efficiency and better use of storage systems. In addition, the project proposes the introduction of new battery management systems (BMS), to improve the overall efficiency of the vehicle. A radical innovation proposed by the project is then linked to aspects relating to the recharging network and in general to the recharging infrastructure. The project has the challenging objective of creating a totally innovative charging infrastructure, called ULTRA-FAST, capable of drastically reducing the current charging times of a vehicle. The aim is to address aspects, not yet explored so far, such as: the sizing of the dynamic systems, the possibility of recharging the vehicle during its slow running phases, the possibility of studying the pricing mechanisms, the possibility of using such systems of recharging as auxiliary energy systems during steep slopes with the aim of improving the life time of "full electric " systems.

The conclusion of the project is expected in 2022.

- **Marine hybrid engine development project :** aims to develop a hybrid marine propulsion system by carrying out analysis activities of possible hybrid thermal-electric propulsion architectures for use in the maritime sector.

The conclusion of the project is expected in 2022.

The development costs listed above were deemed to be of repeated utility, as they relate to development projects in the terminal phase, the products of which are clearly identified, present a market and from whose marketing, on the basis of market research carried out, are expected profit margins sufficient to cover also the amortization of capitalized costs.

With reference to the development projects mentioned above, the absence of indications of permanent loss in value was noted, as the financial flows generated by the realization of these projects were not less than the amount of capitalized R&D costs at the end of the exercise.

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

Tangible fixed assets

This item of assets includes durable goods which are part of the permanent organization of the Company.

Referring to lasting factors and conditions is not an intrinsic characteristic of goods as such, but of their destination.

They are normally used as income production tools for characteristic management and are therefore not intended for sale or transformation to obtain the Company's products.

In the presence of tangible assets that the Company intends to allocate for sale, they are possibly classified separately from tangible assets in a specific item of current assets.

Ordinary depreciation, up to 31/12/2019, is calculated on the basis of rates deemed representative of the residual possibility of use.

The rates applied are as follows:

Items of tangible fixed assets	Rates%
Lands and buildings	1.5
Plants and machinery	2.5 10.0
Industrial and commercial facilities	6.25 12.5 25.0
Other assets	
- electronic office machines;	20
- furniture and furnishings;	12
- vehicles	20
- cars and motorcycles.	25

Depreciation of tangible fixed assets, as highlighted in the previous paragraph "Valuation criteria applied", was not carried out, with the exception of the depreciation charge for the year, equal to approximately 30 thousand euros, relating to the industrial property located in Morra de Sanctis (AV) sold during the month of July of this financial year.

The disposals of assets (sales, scrapping, etc.) occurred during the year resulted in the elimination of their residual value. The difference between the book value and the disposal value was recognized in the income statement in accordance with the provisions of OIC 16.

For fixed assets acquired during the year, the aforementioned rates have been reduced by half as the depreciation rate thus obtained does not differ significantly from the portion calculated from the moment in which the asset is available and ready for use.

The accounting of the public grants received in relation to tangible fixed assets took place with the indirect method. The grants, therefore, were charged to the income statement under item A5 "other revenues and income" and, therefore, deferred on an accrual basis to subsequent years by posting deferred income.

In the following table it is specified, pursuant to and by effect of art. 10 of the law of 19 March 1983, n. 72, as also recalled by the subsequent monetary revaluation laws, for which material assets a monetary revaluation was carried out, thus highlighting the relative amount.

Description	Amount
Atella Building 1	
Historical cost	3,918,458

Description	Amount
Law n.2 / 2009	1,408,597
Depreciation fund	2,388,031-
Law n.2 / 2009	507.237-
	2,431,787
Atella Building 2	
Historical cost	2,059,113
Law n.2 / 2009	799.198
Depreciation fund	647.192-
Law n.2 / 2009	58,245-
	2,152,874

The company has separately accounted for the part of the land underlying the buildings it owns and no depreciation has been made for the same as these are assets for which no future use is foreseen.

Movements of tangible fixed assets

Property, plant and equipment gross of the related accumulated depreciation amounted to € 87,178 thousand; the depreciation funds are equal to 29,559 thousand euros

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The table below shows the movements in the fixed assets in question.

	Lands and buildings	Plants and machinery	Industrial and commercial facilities	Other tangible fixed assets	Tangible fixed assets in progress and advances	Total tangible fixed assets
Value at the beginning of the year						
Cost	17,010,072	27.415.424	20,341,643	2,847,380	11.981.060	79.595.579
Depreciation (accumulated depreciation)	4,396,851	10,674,359	13,361,292	2,380,090	-	30,812,592
Write-downs	1,233,646	-	-	-	-	1,233,646
Book value	11.379.575	16,741,065	6.980.351	467.290	11.981.060	47.549.341
Changes during the year						
Increases due to acquisitions	-	8,566,139	1,315,322	125,930	5,370,092	15,377,483
Reclassifications (of book value)	-	-	-	-	(5,302,998)	(5,302,998)

	Lands and buildings	Plants and machinery	Industrial and commercial facilities	Other tangible fixed assets	Tangible fixed assets in progress and advances	Total tangible fixed assets
Other variations	-	-	-	-	(5,000)	(5,000)
Total variations	-	8,566,139	1,315,322	125,930	62,094	10.069.485
Year-end value						
Cost	17,010,072	35,981,563	21,656,965	2,973,310	12.043.154	89,665,064
Depreciation (accumulated depreciation)	4,396,851	10,674,359	13,361,292	2,380,090	-	30,812,592
Write-downs	1,233,646	-	-	-	-	1,233,646
Book value	11.379.575	25.307.204	8,295,673	593.220	12.043.154	57.618.826

The main increases in the year concern:

- plant and machinery for a total amount of € 8,216 thousand relating to the purchase of new plant and machinery aimed at improving the Company's production capacity, in addition to € 89 thousand for the purchase of new generic plants and € 285 thousand relating to the completion of 4 projects carried out internally by the Automation Division of the Company's Machining BU for the construction of the "Fondium marking and control station" no. 20084, of a cylinder head deburring island n. 20085, already begun during the previous year, of a "Piaggio base marking station" no. 21099 and "PokaYoke laser marking station with Artificial Intelligence" n. 21101, intended for mechanical processing lines, thanks to the know-how of CMD built over the years, as better described below in the Management Report in the financial statements for the year 2021;
- industrial and commercial equipment for a total amount of 1,315 thousand euros relating to the purchase of new equipment and tools to support the production capacity of the Company.
- other tangible fixed assets for a total amount of 126 thousand euros relating mainly to the purchase of air conditioners, PCs and workstations, cars and vehicles;
- fixed assets in progress for a total amount of 12,043 thousand euros relating mainly to the purchase of a helicopter for 89 thousand euros which, having not yet entered into operation, has not been amortized; to the advances paid for the purchase of a shed for 1,213 thousand euros; 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 CMD, for an amount equal to approximately 2,009 thousand euros; for the construction of 5 test benches at the new Atella site for an amount of approximately Euro 5,993 thousand; for the construction of 1 test bench at the San Nicola la Strada (CE) site for an amount equal to approximately 80 thousand euros and 1 test bench at the Atella site for the Machining BU for an amount equal to approximately 12 thousand euros and for the cost-effective construction of an industrial complex on the land of San Nicola la Strada (CE) owned by CMD, for an amount equal to 365 thousand euros and of an energy efficiency platform at the site in the Municipality of Atella (PZ), in the Industrial Area of the Vitalba Valley owned by CMD, for a total amount of 2,025 thousand euros. Also included in the item in question are costs for the construction of an ongoing project, 19082, carried out internally by the Automation Division of the Company's Machining BU (131 thousand euros) and the costs for the construction of a Cyber Security project (80 thousand euros) thanks to the know-how of the CMD built over the years.

These projects are better described in the Management Report for the 2021 financial statements.

Finally, we note the reclassification present in tangible fixed assets in progress and advances (item B.II.5) for the amount of 5,308 thousand euros, relating to the assets previously recorded in this item and which have now become available and ready for use, appropriately placed mainly under plant and machinery in these financial statements.

There are no significant divestments.

Financial leasing operations

The following table shows the information required by the Legislator in order to represent, albeit on an off-balance sheet basis, the implications deriving from the accounting difference with respect to the financial method, in which the user company would recognize the leased asset as fixed assets and would calculate on this asset the relative amortization quotas, while at the same time it would recognize the payable for the principal amount of the rents to be paid. In this case, the interest and depreciation charge for the year would be recognized in the income statement.

The Company has two leasing contracts in progress relating to motor vehicles, neither of which has a residual duration of more than five years.

During the 2019 financial year a real estate leasing contract was stipulated in December of the previous financial year relating to a warehouse that will expire in August 2031.

	Amount
Total amount of assets under finance leases at the end of the year	3,344,000
Depreciation that would have pertained to the year	173.363
Present value of the installments not past due at the end of the financial year	1,597,230
Financial charges for the year based on the effective interest rate	-25,000

Financial fixed assets

The Company holds financial fixed assets for 145 thousand euros at the end of the year.

Movements in equity investments, other securities and fixed asset derivative financial instruments

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

	Investments in other companies	Total holdings	Other titles
Value at the beginning of the year			
Cost	15,950	15,950	150,409
Write-downs	-	-	20,920
Book value	15,950	15,950	129,489
Year-end value			
Cost	15,950	15,950	150,409
Write-downs	-	-	20,920
Book value	15,950	15,950	129,489

Value of financial fixed assets

Financial fixed assets present in the financial statements have not been recognized at a value higher than their "fair value".

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

Description	Accounting value	Fair value
Apulian Aerospace District	1,500	1,500
Ga.Fi. South ScpA	250	250
Ritam Euro Consortium	4,000	4,000
Campania Scarl system	1,000	1,000
Basilicata Energy Cluster	500	500
Cluster Machining Basilicata	700	700
Zefiro Consortium	8,000	8,000

All equity investments are recorded under Financial Fixed Assets as they represent a long-lasting and strategic investment for the company.

Equity investments recorded at purchase cost have not been written down as no permanent losses in value have been identified that require an impairment test.

Current assets

Specific detailed schedules have been prepared for the item in question, shown in the following pages, which highlight the nature of the individual items and the relative changes in the period.

Inventories

Inventories amounted to € 17,236 thousand at the end of the year (€ 16,972 thousand at the end of last year) .

The inventories recorded in the financial statements include the inventories held in the factories and warehouses of the Company (with the exception of those received from third parties for inspection, testing, processing and / or storage), the inventories owned by the Company at third parties and goods in transit for which the Company has already acquired the title of ownership.

The item in question mainly consists of raw, ancillary and consumable materials and are valued according to the criteria illustrated above.

Warehouse stocks are not subject to encumbrances

The following table shows the information relating to changes in inventories.

	Value at the beginning of the year	Changes during the year	Year-end value
raw, ancillary and consumable materials	9.204.526	304.570	9.509.096
work in progress and semi-finished products	412.549	116,677	529.226
finished products and goods	5,844,231	(95,581)	5,748,650
Advances	1,510,475	(61,475)	1,449,000
Total	16,971,781	264.191	17,235,972

There are no significant changes.

Tangible fixed assets intended for sale

The following table shows the information relating to changes in tangible fixed assets held for sale.

	Value at the beginning of the year	Changes during the year
Tangible fixed assets intended for sale	1,380,530	(1,380,530)
<i>Total</i>	<i>1,380,530</i>	<i>(1,380,530)</i>

This is the industrial property located in Morra de Sanctis (AV) recorded at a value of 2,614 thousand euros (before depreciation for the year) and object of sale in the current year. The transaction resulted in a capital loss of 1,234 thousand euros, which had no impact on the income statement, given the devaluation of the asset during the previous year, as detailed below.

Receivables recorded in current assets

The item in question amounts to a total of 25,864 thousand euros at the end of the year (27,735 thousand euros at the end of the previous year) and mainly includes **trade receivables from** third party customers, equal to 5,963 thousand euros, net of a bad debt provision equal to 854 thousand. euro, as well as **receivables from the parent company** equal to 474 thousand euros, **tax credits** equal to 4,400 thousand euros, deferred **tax** assets of 2,414 thousand euros and **receivables from others** equal to 12,613 thousand euros.

Trade **receivables** due from customers within the year relate to receivables deriving from normal sales operations and are mainly from domestic customers. For these receivables, the expected recovery of which takes place in normal commercial terms, the Company has not used the amortized cost valuation method.

The increase in the bad debt provision during the year is due to the allocation made during the year to adjust the value of the receivables to their presumed realizable value against receivables no longer collectible or partially collected ; the decrease, on the other hand, is attributable to the cancellation of receivables from the financial statements due to prescription, transaction or customer bankruptcy.

Movements in the provision are shown in the following table (values in euro):

	31.12.2021	31.12.2020
Opening balance	2,807,763	1,982,931
Provision for the year	200,000	824.832
Usage	2,153,811	-
Final balance	853.952	2,807,763

Receivables from customers are fully collectable within the following year.

Receivables from parent companies result from the reversal of costs incurred in the interest of Loncin Motor Co. Ltd.

The item **tax credits** mainly includes the VAT credit resulting at the end of the year (1,198 thousand euros) and the tax credit resulting from the so-called *R&D bonus* (2,575 thousand euros) deriving from research projects better described in the management report.

The item receivables for prepaid taxes includes taxes relating to positive or negative income components respectively subject to taxation or deduction in years other than those of statutory accounting. Deferred tax assets, in compliance with the principle of prudence, are recognized if there is reasonable certainty of the existence in the financial years in which they will reverse a taxable income not lower than the amount of the differences that will be canceled.

The item **receivables from others** is detailed in the following table:

Detail	Consist . initial	Consist . the final	Variation _ absolute	Variation _ %
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Receivables from public bodies for contributions	10,663,179	12,076,541	1,413,362	13%
Financial credits	17,541	0	-17.541	-100%
Receivables from others	524.560	536.356	11.796	2%
Total	11.205.280	12,612,897	1,407,617	13%

The change in **receivables from others** is mainly attributable to the collection of receivables from Ministries and Regions for grants of 2,972 thousand euros and to the increase in receivables from public bodies for grants of 4,385 thousand euros, mainly as a result of the Development Agreement initiated by the Company, as more fully described in the Report on Operations to the Financial Statements.

In particular, the receivables from public bodies for grants at the end of the year are detailed below:

- Believe in the ministries for a total of 11,705 thousand euros;
- Receivables from Regions for a total of 371 thousand euros.

Finally, **receivables from others**, totaling 524 thousand euros, mainly include the advances paid to suppliers for the work of 44 thousand euros, the INAIL credit for 61 thousand euros and the ex Bonus Renzi credit for 179 thousand euros.

Variations and maturity of receivables recorded in current assets

The following table shows the information relating to changes in the receivables recorded in current assets as well as, if significant, information relating to their expiry.

	Value at the beginning of the year	Change in the year	Year-end value	Portion due within the year	Share falling due beyond the year
Receivables from customers	10,315,881	(4,353,028)	5,962,853	5,962,853	-
Receivables from parent companies	1,373,744	(900,000)	473.744	473.744	-
Tax credits	3,082,226	1,318,080	4,400,306	2,525,109	1,875,197
Prepaid taxes	1,757,963	656.479	2,414,442	-	-
Receivables from others	11.205.280	1,407,617	12,612,897	12,612,897	-
Total	27.735.094	(1,870,852)	25.864.242	21,574,603	1,875,197

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Breakdown of receivables recorded under current assets by geographic area

The following table shows the breakdown by geographical area of the receivables recorded in current assets.

Geographic area	Receivables from customers included in current assets	Receivables from parent companies included in current assets	Tax credits recorded in current assets	Deferred tax assets recognized in current assets	Receivables from others included in current assets	Total receivables entered in current assets
Italy	5,762,237	-	4,400,306	2,414,442	12,612,897	25,189,882
EU	98.240	-	-	-	-	98.240
Rest of the world	102,376	473.744	-	-	-	576.120

Geographic area	Receivables from customers included in current assets	Receivables from parent companies included in current assets	Tax credits recorded in current assets	Deferred tax assets recognized in current assets	Receivables from others included in current assets	Total receivables entered in current assets
Total	5,962,853	473.744	4,400,306	2,414,442	12,612,897	25.864.242

Cash and cash equivalents

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

	Value at the beginning of the year	Changes during the year	Year-end value
bank and postal deposits	5,594,772	(1,463,058)	4,131,714
cash and cash equivalents	499	(436)	63
Total	5,595,271	(1,463,494)	4,131,777

There is no significant change.

Prepayments and accrued income

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

In the registration as well as in the re-examination of deferred income with a multi-year duration, the existence or permanence of the temporal condition was verified.

The following table shows the information relating to changes in accrued income and prepaid expenses.

	Value at the beginning of the year	Change in the year	Year-end value
Prepayments	922.073	(124,240)	797.833
Total accrued income and prepaid expenses	922.073	(124,240)	797.833

The change in deferrals compared to the previous year mainly derives from the absorption of the quotas pertaining to the year of the maxi rent of the leasing in progress, of the tax installments, of the accessory charges incurred for the issue of the bond loan on the market, such as legal costs and of other nature connected with the issue of the loan itself, and deferred over the duration of the bond loan to which reference should be made, in addition to the absorption of insurance costs at the turn of the year and the charges incurred for taking out loans, deferred during the term of the loan itself.

At the reference date of the financial year, there are over five-year deferred income for 73 thousand euros .

Capitalized financial charges

All interest and other financial charges were fully expensed during the year. For the purposes of art. 2427, paragraph 1, n. 8 of the Italian Civil Code, we therefore certify that there are no capitalization of financial charges.

Notes to the financial statements, liabilities and shareholders' equity

The items of the shareholders' equity and liabilities of the balance sheet have been recorded in compliance with the national accounting principles; the specific criteria applied are indicated in the sections relating to the individual items.

The movements of the individual balance sheet items are analyzed in detail below, in accordance with the provisions of current legislation.

Net assets

The net equity existing at the end of the year amounted to € 43,961 thousand (€ 43,661 thousand in the previous year).

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

Changes in shareholders' equity items

With reference to the year ending, the following tables show the changes in the individual items of shareholders' equity, as well as the details of the other reserves, if present in the financial statements.

The main change compared to the previous year is represented by the allocation of the profit of the previous year to the legal reserve pursuant to art. 2430 of the civil code and for the residual part to the extraordinary reserve.

The other change follows the allocation of the *reserve for hedging operations of expected cash flows* for the signing of two derivative contracts stipulated with Banco BPM and Intesa Sanpaolo SpA, again to hedge the interest risk associated with the 50% pooled debt. with Intesa San Paolo and Banco BPM themselves, as better indicated below. The signing of these new derivative contracts was carried out on 10/02/2020 with both institutions, with a notional value of 1,200 thousand euros each, in line with the underlying pooled transaction with a total value of 2,400 thousand euros with maturity 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 (pursuant to the indications provided by OIC 32 - Derivative financial instruments). Since the stipulation was concluded on 10/02/2020, the fair value of the derivative instrument was recognized, as per the accounting principles indicated above, in a specific equity reserve (in the item AVII " *Reserve for hedging of expected financial flows* ") whose equity counterpart will be a provision for risks in B 3" financial derivative liabilities "of the same amount, since the *mark to market* at the end of the 2021 financial year has a negative value.

	Value at the beginning of the year	Destination of the result of the ex. prev. - Other destinations	Other changes - Increases	Operating result	Year-end value
Capital	16,829,887	-	-	-	16,829,887
Share premium reserve	11.872.768	-	-	-	11.872.768
Legal reserve	601.780	86.191	-	-	687.971
Statutory reserves	34,623	-	-	-	34,623
Capital contributions	1,490,730	-	-	-	1,490,730
Various other reserves	11.171.218	1,637,638	3	-	12,808,859
Reserve for hedging operations of expected cash flows	(63,866)	-	58,383	-	(5,483)
Profit (loss) for the year	1,723,831	(1,723,831)	-	242.068	242.068
Total	43,660,971	(2)	58,386	242.068	43.961.423

Details of the various other reserves

Description	Amount
Extraordinary reserve	4,588,897
Euro rounding reserve	3
Reserve art. 60 DL 104/2020	7.309.889
Reserve fund PIA 298 II call	375.227
Reserve fund PIA 299 II call	534.843
Total	12,808,859

All the subscribed shares have been fully paid up.

Availability and use of equity

The following tables show the items of shareholders' equity, with specification of their origin, possibility of use and distribution, as well as their use in the previous three years.

Description	Amount	Origin / Nature	Possibility of use	Quota available
Capital	16,829,887	Capital	B.	-
Share premium reserve	11.872.768	Capital	A; B	11.872.768
Legal reserve	687.971	Useful	A; B	687.971
Statutory reserves	34,623	Useful	A; B	34,623
Capital contributions	1,490,730	Capital	A; B	1,490,730
Various other reserves	12,808,859			12,808,859
Total other reserves	14,299,589			14,299,589
Reserve for hedging operations of expected cash flows	(5,483)			-
Total	43.719.355			26,894,951
Non-distributable portion				26,894,951
Remaining distributable portion				-
Key: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory constraints; And more				

Origin, possibility of use and distributability of the various other reserves

Description	Amount	Origin / Nature	Possibility of uses
Extraordinary reserve	4,588,897	Useful	A; B
Reserve art. 60 DL 104/2020	7.309.889	Useful	B.

Description	Amount	Origin / Nature	Possibility of uses
Euro rounding reserve		3 Capital	
Reserve Fund PIA 298 II call	375.227	Capital	A; B
Reserve Fund PIA 299 II call	534.843	Capital	A; B
Total	12,808,859		
Key: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory constraints; And more			

Changes in the reserve for hedging operations of expected cash flows

Pursuant to art. 2427-bis, paragraph 1b-quater of the Italian civil code, the following table illustrates the changes in the fair value reserves during the year.

	Value at the beginning of the year	Changes during the year - Increase due to change in fair value	Year-end value
Reserve for hedging operations of expected cash flows	(63,866)	58,383	(5,483)

The art. 2426, point 11-bis of the Italian Civil Code, as amended by Legislative Decree no. 139/2015 implementing EU Directive 34/2013, requires, in line with international accounting standards, the recognition 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 in 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 of a scheduled transaction (*cash flow hedge*), the fair value of the derivative instrument is charged directly to an equity reserve. *hoc* established.

The change of 64 thousand euros follows the allocation of the *reserve for hedging operations of the expected financial flows* for the signing of two derivative contracts stipulated with Banco BPM and with Intesa Sanpaolo SpA , again to hedge the interest risk associated with the debt in a pool at 50 % with Intesa San Paolo and Banco BPM themselves, as better indicated below. The signing of these new derivative contracts was carried out on 10/02/2020 with both institutions, with a notional value of 1,200 thousand euros each, in line with the underlying pooled transaction with a total value of 2,400 thousand euros with maturity 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 (pursuant to the indications provided by OIC 32 - Derivative financial instruments). Since the stipulation was concluded on 10/02/2020, the fair value of the derivative instrument was recognized, as per the accounting principles indicated above, in a specific equity reserve (in the item AVII " *Reserve for hedging of expected financial flows* ") whose equity counterpart will be a provision for risks in B 3" financial derivative liabilities "of the same amount, since the *mark to market* at the end of the 2021 financial year has a negative value.

Further details on the individual items of shareholders' equity are provided below.

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

The composition of the share capital is as follows:

DESCRIPTION	AMOUNT
Shareholders' payments	11,819,642
Useful	925,685
Revaluation reserve pursuant to Law 2/2009	3,000,000

DESCRIPTION	AMOUNT
Reserves pursuant to art. 32 L. 219/1981 (Provisions for the reconstruction after the 1980 earthquake)	1,084,559
Total	16,829,887

The **capital payment** is attributable to the shareholder Mariano Negri.

The **share premium reserve** is subject to the constraint pursuant to art. 2431 of the Italian Civil Code

The **legal reserve** is subject to the constraint of art. 2430 of the Italian Civil Code

The **statutory reserve** derives from the registration as a result of a text of the bylaws no longer in force.

The **distribution of profits** is subject to the constraint of art. 2426, paragraph 1, n. 5), for an amount equal to 15,640 thousand euros.

The **reserve for article 60 of Legislative Decree 104/2020**, relating to the failure to allocate the amortization of the previous year in the balance sheet, is subject to the constraint referred to in paragraph 7 - *quater* of the relative provision.

As previously highlighted, the Company also benefited from the possibility granted by article 60, paragraphs 7 - *bis* to 7-*quinqües*, of Legislative Decree 104/2020 for the year ending.

Deferred taxes have been set aside for the tax deduction of the same, limited to tangible and intangible assets.

The statutory amount of depreciation not set aside in the financial statements is equal to Euro 3,293,112, therefore the related restriction is placed on the shareholders' equity reserve called "Extraordinary reserve" equal to Euro 4,588,897. The details of the unavailable portion of this reserve deriving from the suspension of depreciation carried out pursuant to Law no. 126/2020.

Depreciation not set aside		
B 10 b)	tangible fixed assets	3,293,112

Constraint article 60, paragraph 7 - <i>quater</i> of Legislative Decree 104/2020	
Depreciation not set aside	3,293,112
Provision for profits	3,293,112

The following tables illustrate the effect of the non-amortization on the financial statements:

Ordinary balance sheet	without depreciation	with depreciation	difference
Active			
B) Fixed assets			
I - Intangible fixed assets			
1) Start-up and expansion costs	85,000	37,588	47,412
2) Development costs	15,554,583	11.334.295	4,220,288
3) Industrial patent rights and rights to use intellectual property	423.996	181,457	242.539
4) Concessions, licenses, trademarks and similar rights	153,092	27,581	125,511
7) Others	9.191	5,504	3.687
<i>Total intangible fixed assets</i>	<i>16.225.862</i>	<i>11.586.425</i>	<i>4,639,437</i>

1) Land and buildings	11,379,576	11,014,585	364,991
2) Plants and machinery	25.307.204	22,546,521	2,760,683
3) Industrial and commercial equipment	8,295,673	5,624,573	2,671,100
4) Other assets	593.220	417.189	176,032
<i>Total tangible fixed assets</i>	<i>57.618.828</i>	<i>51,646,023</i>	<i>5,972,805</i>
<i>Total fixed assets (B)</i>	<i>73.990.129</i>	<i>63,377,887</i>	<i>10.612.243</i>
C) Current assets			
due within the next financial year	2,414,442	3,444,110	(1,029,669)
due beyond the next financial year	2,414,442	3,444,110	(1,029,669)
<i>Total credits</i>	<i>25.864.242</i>	<i>26,893,911</i>	<i>(1,029,669)</i>
<i>Total current assets (C)</i>	<i>47,231,992</i>	<i>48.261.661</i>	<i>(1,029,669)</i>
<i>Total assets</i>	<i>122,019,954</i>	<i>112.437.380</i>	<i>9,582,574</i>
Passive			
A) Shareholders' equity	43.961.423	36.204.419	7,757,004
IV - Legal reserve	687.971	601.780	86.191
Various other reserves	12,808,858	11.171.218	1,637,640
<i>Total other reserves</i>	<i>14.299.588</i>	<i>12,661,948</i>	<i>1,637,640</i>
VIII - Profits (losses) carried forward	-	(3,651,817)	3,651,817
IX - Profit (loss) for the year	242.068	(2,139,288)	2,381,356
Profit (loss) for the year	242.068	(2,139,288)	2,381,356
<i>Total equity</i>	<i>43.961.423</i>	<i>36.204.419</i>	<i>7,757,004</i>
B) Provisions for risks and charges			
2) for taxes, even deferred	1,756,008	-	1,756,008
<i>Total provisions for risks and charges</i>	<i>1,761,491</i>	<i>5,483</i>	<i>1,756,008</i>
D) Debts			
12) Tax payables	2,911,756	2,842,195	69.562
due within the next financial year	407.746	338.185	69.562
<i>Total debts</i>	<i>61,686,620</i>	<i>61,617,059</i>	<i>69.562</i>
<i>Total liabilities</i>	<i>122,019,954</i>	<i>14.193.736</i>	<i>107.826.218</i>

Income statement	without depreciation	with depreciation	difference
B) Costs of production			
b) Depreciation of tangible fixed assets	30,530	3,332,881	(3,302,351)
<i>Total depreciation and write-downs</i>	<i>6,368,335</i>	<i>9,670,686</i>	<i>(3,302,351)</i>

Total production costs	46.261.079	49.563.430	(3,302,351)
Difference between value and cost of production (A - B)	2,205,909	(1,096,442)	3.302.351
Result before taxes (A-B + -C + -D)	1,121,943	(2,180,409)	3.302.351
20) Income taxes for the year, current, deferred and prepaid			
Deferred and prepaid taxes	(262,300)	658.696	(920,996)
Total income taxes for the year, current, deferred and prepaid	879.875	(41,121)	920.996
21) Profit (loss) for the year	242.068	(2,139,288)	2,381,356

Provisions for risks and charges

The provisions for risks and charges have been set aside to cover liabilities whose existence is considered certain or probable, for which the amount or date of occurrence cannot be determined at the end of the year.

The establishment of the funds was carried out on the basis of the principles of prudence and accrual, observing the requirements of the accounting standard OIC 31. The related provisions are recognized in the income statement for the relevant year, on the basis of the classification criterion "by nature" costs.

The following table shows the information relating to changes in the provisions for risks and charges.

The change of 58 thousand euros follows the allocation of the *reserve for hedging operations of the expected financial flows* for the signing of two derivative contracts stipulated with Banco BPM and with Intesa Sanpaolo SpA, again to hedge the interest risk associated with the debt in a pool at 50 % with Intesa San Paolo and Banco BPM themselves, as better indicated below. The signing of these new derivative contracts was carried out on 10/02/2020 with both institutions, with a notional value of 1,200 thousand euros each, in line with the underlying pooled transaction with a total value of 2,400 thousand euros with maturity 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 (pursuant to the indications provided by OIC 32 - Derivative financial instruments). Since the stipulation was concluded on 10/02/2020, the fair value of the derivative instrument was recognized, as per the accounting principles indicated above, in a specific equity reserve (in the item AVII " *Reserve for hedging of expected financial flows* ") whose equity counterpart will be a provision for risks in B 3" financial derivative liabilities "of the same amount, since the *mark to market* at the end of the 2021 financial year has a negative value.

The provision to the deferred tax reserve of 919 thousand euros follows from the tax deduction (3,293 thousand euros) of depreciation not set aside in the financial statements.

Pursuant to paragraph 7-quinquies of article 60 of Law no. 126 of 13 October 2020, the companies that have made use of the derogation can in any case proceed with the deduction of depreciation for both IRES and IRAP purposes, regardless of their recognition in the income statement. As a consequence of this, the Company, by choosing to deduct the depreciation not recognized in the income statement, in compliance with the OIC 25 "Income Taxes" accounting standard, has recorded the correlative deferred taxes.

	Value at the beginning of the year	Changes during the year - Provision	Changes during the year - Use	Changes during the year - Total	Year-end value
Provision for taxes, including deferred taxes	837.230	918.778	-	918.778	1,756,008
Passive derivative financial instruments	63,866	-	58,383	(58,383)	5,483
Total	901.096	918.778	58,383	860.395	1,761,491

Employee severance indemnity

The severance pay was calculated in accordance with the provisions of art. 2120 of the civil code, taking into account the legislative provisions and the specificities of the contracts and professional categories, and includes the annual fees accrued and the revaluations made on the basis of the ISTAT coefficients.

The amount of the provision is recognized net of the advances paid and the portions used for the termination of the employment relationship during the year and represents the certain payable to employees at the closing date of the financial statements.

The employee severance indemnity is recognized under liabilities for € 417 thousand (€ 406 thousand in the previous year).

The following table shows the information relating to changes in the severance pay indemnity.

	Value at the beginning of the year	Changes during the year - Provision	Changes during the year - Use	Changes during the year - Total	Year-end value
EMPLOYEE SEVERANCE INDEMNITY	406.427	14,647	4,390	10,257	416.684

There are no significant changes.

Debts

Payables have been recognized in the financial statements according to the amortized cost criterion, as defined by article 2426 paragraph 2 of the Italian Civil Code, taking into account the time factor, in accordance with the provisions of art. 2426, paragraph 1, n. 8 of the civil code. For payables for which the application of the amortized cost and / or discounting method has been verified as irrelevant, for the purposes of the need to give a truthful and correct representation of the financial and economic situation of the company, the registration according to face value. This occurrence occurred, for example, in the presence of payables with a maturity of less than twelve months or, with reference to the amortized cost criterion, in the event that the transaction costs, commissions and any other difference between the initial value and the maturity value are of little significance or, again, in the case of discounting, in the presence of an interest rate inferable from the contractual conditions that is not significantly different from the market interest rate.

The classification of payables among the various payable items is carried out on the basis of the nature (or origin) of the same with respect to ordinary management regardless of the period of time within which the liabilities must be extinguished.

Variations and due dates of payables

The following table shows the information relating to changes in payables and any information relating to the expiry of the same.

	Value at the beginning of the year	Change in the year	Year-end value	Portion due within the year	Share falling due beyond the year
Debts for bonds	5,984,000	(1,584,000)	4,400,000	4,400,000	-
Payables to shareholders for loans	5,634,681	146,876	5,781,557	-	5,781,557
Payables to banks	25,384,388	1,268,263	26,652,651	4,320,670	22,331,981
Debts to other lenders	3,322,652	(2,546,272)	776.380	776.380	-
Advances	1,510,079	(1,297,777)	212.302	212.302	-
Payables to suppliers	8,886,479	9,464,422	18.350.901	18.350.901	-

	Value at the beginning of the year	Change in the year	Year-end value	Portion due within the year	Share falling due beyond the year
Payables to parent companies	390,000	-	390,000	390,000	-
Tax payables	4,329,480	(1,417,724)	2,911,756	407.746	2,504,010
Payables to welfare and social security institutions	447.429	303.345	750.774	750.774	-
Other debts	1,143,027	317.271	1,460,298	1,460,298	-
Total	57.032.215	4,654,404	61,686,619	31,069,071	30,617,548

At the end of the year, payables to banks with a residual duration of more than five years for 5,240 thousand euros are recognized in the financial statements.

The **bonds** concern the issue of a bond loan (hereinafter also a Minibond or Loan) with a duration of 6 years and 6 months from the date of issue of 06/30/2015, maturing on 12/31/2021, issued on fixed gross annual nominal rate of 5% (with reference to the accrual of interest subsequent to 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 securities were subscribed by AMUNDI (formerly Pioneer) and are listed on the **ExtraMOT Pro3 market** managed by Borsa Italiana SpA .

The Minibond is of the *amortising type* with 42 months of pre-amortization (instead of the previous 36 months); the repayment in 4 increasing annual installments starting from 31/12/2018, with the payment of the first installment of € 1,000 thousand plus interest. Following the resolution of AMUNDI of 7 March 2019, the remaining 2 repayment installments starting from 31 December 2020 up to the expiry date (included) have been modified as indicated in the following table:

DEADLINE	AMOUNT
31/12/2020 (*)	1,584 thousand euros
12/31/2021	4,400 thousand euros

As a consequence of the COVID-19 emergency, with communication dated 21 December 2020, Amundi SGR SpA made the following main changes to the previously approved Minibond Regulation :

- (i) amendment to the amortization plan envisaged, in order to postpone the payment of the installment originally due from 31 December 2020 to next 20 June 2021 (*);
- (ii) amend Article 15 (Financial Covenants), providing for the non-application of the Financial Parameters on the Calculation Date which falls on December 31, 2020.

In this regard, it should be noted that the Company has fulfilled the commitments linked to the aforementioned Loan for its repayment.

Starting from 2015, the Company has been subject to a public rating by the Cerved Rating Agency. On 17/03/2022 the Cerved Rating Agency Rating Committee met to update the public rating of CMD, resolving to improve the rating of Costruzioni Motori Diesel SpA from B2.1 to B1.2.

Payables **to shareholders for loans** of 5,782 thousand euros are analyzed in the specific paragraph of this document.

Short -term **payables to banks** , equal to € 4,398 thousand, refer to the short-term portion of the loans that the company has in place at the end of the year.

As is known, art. 56 DL 18/2020 ("Cura Italia"), issued following the epidemiological emergency deriving from the spread of COVID-19, provided for a moratorium for the payment of loans, mortgages and leases in favor of Italian companies in order to support them in view of the temporary liquidity shortage. Although this government provision was aimed only at small and medium-sized enterprises (SMEs) and self-employed workers with VAT numbers, 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, envisaged by the “Cura Italia” Decree Law for the payment of the expiring installments of all loans and financial leases in progress at the date of issue of the same.

With the enactment of the Decree Law 8 April 2020 n. 23 known as the “Liquidity Decree”, the Italian Government, continuing the path of support for the country's production system undertaken with the adoption of Legislative Decree no. 18 of 16 March 2020 (Cura Italia Decree), introduced further measures aimed at supporting, even more energetically and in a more widespread manner, the companies damaged by the disastrous effects caused by the epidemiological crisis resulting from COVID-19, as aimed at guaranteeing flows of liquidity in favor of companies in order to maintain their operations, in view of the restart. Article 1 of the aforementioned law decree introduces, among other things, temporary measures to support the liquidity of companies by favoring access to credit backed by the guarantee of the Guarantee Fund 662/96 for an amount equal to 90%, in particular , to companies with turnover of less than 1.5 billion euros.

Pursuant to the aforementioned Legislative Decree "Liquidity Decree", it should be noted that the Company, on 09/24/2020, entered into a loan agreement with Banca Generali for a total amount of 2.6 million euros, guaranteed by MCC, at the rate nominal annual rate of 1.6%, with a duration of 60 months with bimonthly repayment starting from 10/12/2021. In this regard, it should be noted that on 31/12/2021 all payments are in line with the amortization plan of the aforementioned loan.

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

In this regard, it should be noted that on 31/12/2021 all payments are in line with the amortization plan of the aforementioned loan.

On 07/10/2020, the Company entered into a loan agreement with MPS for a total amount of 2.5 million euros, guaranteed by SACE, at an annual nominal rate of 2.95%, with a duration of 72 months with repayment quarterly starting from 31/12/2022. In this regard, it should be noted that on 31/12/2021 all payments are in line with the amortization plan of the aforementioned loan.

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

In order to pursue its own productive investment and research and development plan linked to the Development Agreement, in the context of which the subsidized loan and non-repayable grants will be disbursed at a stage of progress, which will allow it to develop the Avio business unit , guaranteeing an appropriate differentiation and an increasingly international opening of its business, more properly described in the Report on operations to the 2021 financial statements, the Company signed two loan agreements on 04/12/2019:

- "Capex Line" loan agreement;
- “R&D Line” loan agreement.

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 operation and Banca IMI as agent bank, in order to find the resources to finance its industrial development plan to supplement the Soft Loan and the Non-repayable Contribution provided for in the Development Agreement. The loan has the characteristics of a long-term credit line (Capex) for a maximum total amount not exceeding Euro 7,064,961, to be repaid in quarterly installments starting from 31/12/2022 at the rate 2.85% + Euribor at 3 months. As of the date of this document, 3,006 thousand euros have been disbursed (of which 2,400 thousand euros already in 2019 and 4,060 thousand euros in 2020) , reaching the total maximum amount of 7,065 thousand euros .

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 to be allocated to the implementation of ongoing aeronautical research and development projects. of the CMD, for a maximum total amount not exceeding Euro 8,397,872, to be repaid in quarterly installments starting from 31/12/2021, at the fixed annual nominal rate of 0.67%.

In this regard, it should be noted that on 31/12/2021 all payments are in line with the amortization plan of the aforementioned loan.

Following the stipulation of the aforementioned latest loan agreements, the Company entered into, in February 2020, two derivative contracts aimed at hedging the interest risk connected, however, to the new 50% syndicated debt with Intesa Sam Paolo and Banco BPM above. The signing of these new derivative contracts was carried out on 10/02/2020 with both institutions, with a notional value of 1,200 thousand euros each, in line with the underlying pooled transaction with a total

value of 2,400 thousand euros with maturity 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 (pursuant to the indications provided by OIC 32 - Derivative financial instruments. Therefore, the fair value of the derivative instrument was recognized, as per the accounting principles indicated above, in a specific shareholders' equity reserve (in the item AVII "Reserve for hedging operations of expected cash flows") whose balance sheet is a provision for risks in B 3 "financial derivative liabilities" of the same amount, since the *mark to market* at the end of the year 2021 it has a negative value for both, as previously indicated.

Finally, pursuant to the aforementioned Legislative Decree "Liquidity Decree", it should be noted that the Company, on 08/02/2021, entered into a loan agreement with IFIS (formerly AIGIS Banca) for a total amount of 1 million euro, guaranteed SACE, at the nominal annual rate of 3.75%, with a duration of 60 months with quarterly repayment starting from 30/09/2021.

In this regard, it should be noted that on 31/12/2021 all payments are in line with the amortization plan of the aforementioned loan.

Payables **to other lenders** mainly refer to the payable to the factoring company CNH INDUSTRIAL CAPITAL relating to the "with recourse" sale of the turnover produced with customers such as FPT Industrial.

The item **advances** mainly includes the advances received from customers on the supply of goods and services envisaged by the contract.

Trade **payables** relate to commercial transactions within the normal payment terms, all expiring within the year. Therefore, the Company did not use the amortized cost valuation method for these payables.

Payables **to parent** companies include the costs for the personnel seconded by Loncin Motor Co. Ltd to the Company.

The balance of **tax payables** mainly relates to payables deriving from previous years with respect to which the Company has completed installment plans with the Revenue Agency, or with Equitalia.

At the date of preparation of this document, all the installment plans are regular despite the phase of economic contraction such as the one the country is facing and the temporary lack of liquidity due to the economic consequences due to both the Covid-19 epidemic and adverse effects of the war in Ukraine. which already impacted the last quarter of 2021 with the shortage of raw materials, which was followed by an immediate increase in the price of the same in addition to the increase in the cost of electricity and gas.

The item **payables to welfare and social security institutions** consists of contributions to be paid to INPS and INAIL for the year ending, as well as payables deriving from previous years; in this case too, installment plans were finalized, recording the related provisions for interest and penalties in the financial statements. Finally, it is noted that the payments that are regular on the date of preparation of this document.

The details of the **Other payables** are as follows:

Detail	Current year amount
Employees (wages, holidays and leave)	1,246,166
Board of Directors for remuneration	195.138
Other	18.994
Total	1,460,298

Breakdown of payables by geographical area

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

Geographic area	Bonds	Payables to shareholders for loans	Payables to banks	Debts to other lenders	Advances	Payables to suppliers	Payables to parent companies	Tax payables	Payables to welfare and social security institutions	Other debts	Debts
Italy	4,400,000	1,884,681	26,652,651	776.380	212.302	16.219.310		- 2,911,756	750.774	1,460,298	55.268.152
EU	-	-	-	-	-	2,042,451		-	-	-	2,042,451
Rest of the world	-	3,896,876	-	-	-	89.141	390,000	-	-	-	4,376,017
Total	4,400,000	5,781,557	26,652,651	776.380	212.302	18.350.902	390,000	2,911,756	750.774	1,460,298	61,686,620

Debts secured by collateral on corporate assets

The following table shows, separately for each item, the payables secured by real guarantees on corporate assets, with specific indication of the nature of the guarantees.

	Debts secured by mortgages	Total debts secured by collateral	Debts not secured by collateral	Total
Debts for bonds	-	-	4,400,000	4,400,000
Payables to shareholders for loans	-	-	5,781,557	5,781,557
Payables to banks	7,064,961	7,064,961	19.587.690	26,652,651
Debts to other lenders	-	-	776.380	776.380
Advances	-	-	212.302	212.302
Payables to suppliers	-	-	18.350.901	18.350.901
Payables to parent companies	-	-	390,000	390,000
Tax payables	-	-	2,911,756	2,911,756
Payables to welfare and social security institutions	-	-	750.774	750.774
Other debts	-	-	1,460,298	1,460,298
Total debts	7,064,961	7,064,961	54,621,658	61,686,619

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

- 1) Atella (PZ) - Valle di Vitalba industrial area snc.
- 2) Atella (PZ) - "Valle di Vitalba" industrial area , Cartofiche area .
- 3) Atella (PZ) - "Valle di Vitalba" industrial area snc.

The overall book value of these assets in the financial statements is 7,608 thousand euros.

The loan agreement expires on 04/12/2029 .

Loans made by shareholders of the company

During the 2019 financial year, the Company received a paid-up loan from the Italian shareholders, in proportion to the percentages of participation in the share capital, in response to the shareholder loan proposal made by the Administrative

Body of the shareholders' meeting on 4/11 / 2019 to better address the needs and the present financial requirements of the Company, while waiting to find the subsidized and non-repayable financial resources under the Development Agreement.

On 11/02/2020, the Company also received a paid-up loan from the Chinese shareholders, in proportion to the percentages of participation in the share capital, in response to the shareholder loan proposal made by the Administrative Body of the shareholders' meeting of the 4/11/2019.

Loans made by shareholders, and recorded under item D.3) of the balance sheet liabilities, are to be considered subordinated with respect to the satisfaction of other creditors by express contractual clause even in the absence of the prerequisites referred to in art. 2467 of the civil code.

Accrued liabilities and deferred income

Accrued liabilities and deferred income are recorded in liabilities for a total of 13,027 thousand euros (11,449 thousand euros in the previous year).

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

In the recording as well as in the re-examination of deferred income with a multi-year duration, the existence or permanence of the temporal condition was verified. Where this condition has changed, the appropriate ones have been made.

The following table shows the information relating to changes in accrued liabilities and deferred income.

	Value at the beginning of the year	Change in the year	Year-end value
Accrued liabilities	159,019	141,536	300,555
Deferred income	13,159,515	733.666	13,893,181
Total accruals and deferred income	13.318.534	875.202	14.193.736

Accruals refer to accrued interest payments. At the closing date of the financial year, there are no accruals with a duration of more than five years.

The deferrals are all related to the settlement of the grants on the plant account.

The change with respect to last year derives in part from the absorption of the portion of the contribution pertaining to it and in part from the increase in the portion of the contribution and income deriving from tax credits recognized during the year but pertaining to future years.

Deferrals with a duration of over five years amount to 3,325 thousand euros.

The following table illustrates the composition of the items in question, as they are recorded in the financial statements:

Detail	Current year amount
Accrued expenses (interest expense on loans and factoring)	300,555
Deferred tax for the Basilicata Region	3,408,882
Deferred account bonus South Law 208/2015	157.420
Deferral of R&D bonus contribution DL 145/2013	2,706,228
Deferred contribution for R&D projects	7,251,072

Detail	Current year amount
Deferred tax credit on investments L. 160/2019	369.570
Total	14.193.737

Explanatory notes, income statement

The income statement shows the economic result for the year.

It provides a representation of management operations, through a summary of the positive and negative components of income that contributed to determining the economic result. The positive and negative components of income, recorded in the financial statements in accordance with the provisions of art. 2425-bis of the civil code, are distinguished according to belonging to the various managements: characteristic, ancillary and financial.

The characteristic activity identifies the income components generated by operations that occur continuously and in the relevant sector for the performance of the management, which identify and qualify the peculiar and distinctive part of the economic activity carried out by the company, for which the same is finalized.

Financial assets are made up of transactions that generate income and expenses of a financial nature.

On a residual basis, the ancillary activity is constituted by the operations that generate income components that are part of the ordinary activity but do not fall within the characteristic and financial activity.

Production value

The value of production amounts to 48,467 thousand euros (25,723 thousand euros at the end of last year).

Revenues **from the sale of products and goods and / or the provision of services** relating to core business for 37,813 thousand euros (20,505 thousand euros last year) are recognized net of returns, discounts, allowances and bonuses, as well as directly related taxes with the sale of products and the provision of services.

The item **changes in inventories of work in progress, semi-finished and finished products** equal to an increase of 264 thousand euros (decrease of 2,269 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 work** includes the capitalized costs that generated increases in assets in the balance sheet in the items intangible fixed assets and relates to the costs of personnel engaged in industrial development projects better described in the Report on operations in these financial statements. operation and construction on its own of automated lines or interconnection systems as part of projects initiated by the "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 units of CMD production, taking advantage of the know-how that it has developed, organized and monitored over the years, for a total of 3,946 thousand euros, compared to a value of 3,088 thousand euros last year.

Item A5) **other revenues and income** includes the following cases:

Detail	2021	2020	Diff.	%
Operating grants	-	67,054	- 67,054	-100%
Contributions in c / plants and capital	3,624,122	2,407,736	1,216,386	51%
Contingent assets	264.008	144,085	119.922	83%
Rents	226.775	188.785	37.990	20%

Research and development and investment bonus	1,690,244	1,414,752	275,492	19%
Other	1,332,325	176.524	1,155,801	655%
Total	7,137,474	4,398,937	2,738,537	

The contributions derive from the accounting according to the so-called indirect method recommended by the OIC accounting principles.

Breakdown of revenues from sales and services by business category

The following table shows the breakdown of revenues from sales and services according to the categories of activities.

Activity category	Current exercise value
Mechanical processing	29.510.189
Marine	2,236,534
Energy	291.500
R&D	103.503
E-bike	5,524,104
Other minors	146,875
Total	37.812.705

Breakdown of revenues from sales and services by geographical area

The following table illustrates the breakdown of revenues from sales and services by geographical area.

CATEGORY	Italy	Rest of the world	EU	Total
Mechanical processing	29.508.003	-	2,186	29.510.189
Marine Engines	1,632,531	367.378	236.624	2,236,534
Energy	291.500	-	-	291.500
Avio	-	-	-	-
R&D	103.503	-	-	103.503
E-Bike	5,524,104	-	-	5,524,104
Other minors	146,875	-	-	146,875
Total	37.206.516	367.378	238.811	37.812.705

Costs of production

Costs and charges are allocated on an accruals basis and according to nature, net of returns, allowances, discounts and bonuses, in compliance with the principle of correlation with revenues, and recorded in the respective items in accordance with the provisions of the OIC 12 accounting standard. purchases of goods, the related costs are recorded when the substantial and non-formal transfer of the title of ownership has occurred, assuming the transfer of risks and benefits as a reference parameter for the substantial transfer. In the case of the purchase of services, the related costs are recognized when the service has been received, or when the service is completed, while, in the presence of ongoing services, the related costs are recognized for the portion accrued.

The costs of production amounted to 46,261 thousand euros, compared to a value of 22,400 thousand euros in the previous year.

The costs for raw, ancillary and consumable materials amounted to 25,343 thousand euros, compared to a value of the previous year of 10,470 thousand euros.

Item B7 includes the costs deriving from the acquisition of services in the exercise of the ordinary business of the company and is made up of the following items:

Description	2021	2020	Variation – absolute	Variation – %
Provision of industrial services	304.034	334,680	-30.646	-9%
Electric energy	1,029,880	443.949	585.931	132%
Transportation	489.377	315.956	173.421	55%
Services and consultancy	166.797	234.745	-67.948	-29%
Remuneration, charges and reimbursements of the BoD	614.237	389.496	224.741	58%
Temporary work services	417.518	182.233	235,285	129%
Commercial services	61,317	90.178	-28.861	-32%
Financial consultancy	25,171	97,877	-72.706	-74%
Costs for banking services	289.362	462.398	-173.036	-37%
Insurance	143,063	157.376	-14.313	-9%
Cost of seconded personnel	-	27,065	-27.065	-100%
Other	218.992	393.487	-174.496	-44%
Total	3,759,747	3,129,441	630.307	

Item B8 includes € 335 thousand (€ 349 thousand in the previous year) for the costs for the use of tangible and intangible third party assets. The prevailing amount (146 thousand euros) refers to leasing installments.

Item B9, equal to € 8,724 thousand (€ 6,706 thousand last year), includes the costs incurred during the year for employees, including temporary work.

The reduction compared to the previous year is attributable to the use of the COVID -19 redundancy fund which involved all the workers of the CMD in the year 2020.

In detail, the wages and salaries inclusive of accrued and unpaid portions relating to additional months and accrued and unused holidays are recorded under item B9a, gross of withholding taxes and social security contributions payable by the employee; to item B9b the charges to be borne by the company, net of the "taxed" amounts, to item B9c the provisions

made in the period for employee severance indemnity and finally to item B9d the allocations to supplementary pension funds other than severance pay .

Item B11 records an increase in the value of inventories of raw, ancillary and consumable materials and goods equal to 1,215 thousand euros. Last year the positive change was equal to 1,520 thousand euros.

The details of item B14 other operating expenses are as follows:

Description	2021	2.020	Diff.	%
Customs duties	4,511	1,205	3.306	274%
Contingent liabilities	92,539	618.365	- 525.826	-85%
Taxes	155.172	140,836	14,335	10%
Contractual penalties	70,822	391.487	- 320,665	-82%
Membership fees	32,044	32,538	- 494	-2%
Other minors	1,680,870	21,668	1,659,202	7657%
Total	2,035,956	1,206,099	829.857	

The item "Other minor" includes the capital loss from the sale, of 1,234 thousand euros, recorded following the sale of the industrial property located in Morra de Sanctis (AV), recorded at a 2021 net book value of 2,584 thousand euros and object of sale in this financial year. The aforementioned capital loss of 1,234 thousand euros, however, had no impact on the income statement for the year as it was offset, in the item Other revenues (A5) of the Company's income statement, by the reversal of the impairment of the asset indicated above for the same amount set aside for a specific provision for bad debts during the previous year in order to adjust the 2020 net book value to the market value, in compliance with the provisions of art. 2426, paragraph 1, n. 3 of the civil code.

Financial income and expenses

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

Composition of income from participation

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

Breakdown of interest and other financial charges by type of debt

The following table shows the interest and other financial charges pursuant to art. 2425, n. 17 of the civil code, with a specific subdivision between those relating to bond loans, payables to banks and other cases.

	Bonds	Payables to banks	Other	Total
Interest and other financial charges	281.214	630.561	178.013	1,089,788

Exchange gains / losses

The information relating to exchange gains or losses is provided below, distinguishing the part realized from the part deriving from valuations of assets and liabilities in foreign currency recognized in the financial statements at the end of the year.

Description	Amount in the balance sheet	Evaluation part	Part made
<i>gains and losses on foreign exchange</i>	<i>5,660</i>		
Profit on foreign exchange			5,660
Loss on foreign exchange			
Total item			5,660

Amount and nature of the individual elements of revenue / cost of exceptional size or incidence

The following table shows the amount and nature of the individual revenue items of exceptional size or incidence.

Revenue item	Amount	Nature
Absorption of the property write-down fund	1,333,646	Outstanding amount and nature

This is the absorption of the property write-down fund which, in compliance with the provisions of art. 2426, paragraph 1, n. 3 of the civil code, was recorded last year as the industrial building located in Morra de Sanctis (AV) was permanently of a lower value than that determined according to the purchase cost. As a result of the sale and the recognition of the consequent capital loss of the same amount, the use of the provision was recognized, as previously indicated.

The following table shows the amount and nature of the individual cost elements of exceptional size or incidence.

Cost item	Amount	Nature
Loss on property sale	1,233,646	Outstanding amount and nature

This is the loss referred to above.

Income taxes, current, deferred and prepaid

The company has provided for the allocation of taxes for the year based on the application of the tax laws in force. Current taxes refer to taxes for the year as resulting from tax returns; taxes relating to previous years include direct taxes from previous years, inclusive of interest and penalties and also refer to the positive (or negative) difference between the amount due following the settlement of a dispute or an assessment with respect to the value of the provision set aside in previous years. Finally, deferred taxes and prepaid taxes concern positive or negative income components, respectively, subject to taxation or deduction in years other than those of statutory accounting.

Deferred and prepaid taxes

This item includes the impact of deferred taxation on these financial statements. The same is due to the temporary differences between the values attributed to an asset or liability according to statutory criteria and the corresponding values recognized to these elements for tax purposes.

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

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

Rates	Ex. N + 1	Ex. N + 2	Ex. N + 3	Ex. N + 4	Beyond
IRES	24%	24%	24%	24%	24%
IRAP	3.9%	3.9%	3.9%	3.9%	3.9%

The following tables are analytically indicated:

the description of the temporary differences that led to the recognition of deferred and prepaid taxes, specifying the rate applied and the changes compared to the previous year, the amounts credited or debited to the income statement or to shareholders' equity;

the amount of prepaid taxes recognized in the financial statements relating to losses for the year or from previous years and the reasons for their recognition, the amount not yet accounted for and the reasons for non-recognition;

the items excluded from the calculation and the related reasons.

Recognition of deferred and prepaid taxes and consequent effects

	IRES	IRAP
A) Temporary differences		
Total deductible temporary differences	6,323,250	-
Total taxable temporary differences	-3,387,455.5	-1.233.645.0
Net temporary differences	2,935,794	-1.233.645
B) Tax effects		
Provision for deferred (prepaid) taxes at the beginning of the year	(1,701,692)	60,761
Provision for deferred (prepaid) taxes at the end of the year	2,406,283	8,159.00

Detail of deductible temporary differences

Description	Amount at the end of the previous year	Change that occurred during the year	Amount at the end of the financial year	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
IMU to be paid in subsequent years	129,752	48.153	177.905	24.00	42,697	-	-
Directors' fees approved but not paid	97,500	195,000	292.500	24.00	70,200	-	-
Unpaid taxes	34.409	7,956	42,365	24.00	10.168	-	-
Unpaid membership contributions	-	17,480	17,480	24.00	4.195	-	-
Non-deductible	2,601,657	(1,953,811)	647.846	24.00	155,483	-	-

Description	Amount at the end of the previous year	Change that occurred during the year	Amount at the end of the financial year	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
provision for bad debts							
Depreciation of real estate revalued Law 2/2009	209.205	-	209.205	24.00	50.209	3.90	8.159
Provisions temporarily not deductible	1,233,646	(1,233,646)	-	24.00	0	3.90	0
Reportable surplus ACE	843.776	425.511	1,269,287	24.00	304.629	-	-
Carry-over of tax losses	1,940,437	5,429,149	7,369,586	24.00	1,768,701	-	-

Detail of taxable temporary differences

Description	Amount at the end of the previous year	Change that occurred during the year	Amount at the end of the financial year	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Depreciation not carried out (Article 60, Legislative Decree 104/2020)	3.008.825	3,293,112	6.301.937	24.00	1,512,465	3.90	245.776

Disclosure on tax losses

	Amount (e.g. current)	Tax rate (e.g. current)	Deferred tax assets recognized (e.g. current)	Amount (e.g. previous)	Tax rate (e.g. previous)	Deferred tax assets recognized (e.g. above)
Tax losses						
of the exercise	5,429,149			1,436,269		
of previous years	1,940,037			504.168		
Total tax losses	7,369,186			1,940,437		
Tax losses carried forward recoverable with reasonable certainty	-	24.00	1,768,605	-	24.00	465.705

The deferred tax assets resulting from the tax loss realized in the tax period have been recorded. The registration took place given the reasonable certainty of using the loss to deduct the expected taxable profits in the next fiscal years in accordance with the rules contained in the TUIR.

The R&D contribution (Legislative Decree 145/2013) and the benefit resulting from the *patent box* (Law 190/2014) had a decisive impact on the emergence of the tax loss. In this regard, it should be noted that, with 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 capacity to engineer and design the entire production process (including, if necessary, the appropriate lines production) of the "engine" product, including related testing and prototyping. This intangible is originally held, as it is the result of the gradual evolution of the company over thirty years, and is continuously fed, maintained and developed by significant and constant expenses for studies and research as well as by the commitment of the Automation Division . Most of the information - and specifically that relating to the design and construction of robotic islands - is currently incorporated in software programs already classified and for which the Company is also in the process of requesting and obtaining suitable legal protection.

For these reasons, the Company, in the course of 2019, as a result of art. 4 of Legislative Decree no. 34 of 30 April 2019 (so-called Growth Decree), having submitted at the end of the 2018 financial year the request for a ruling, which was mandatory at the time in order to opt for the Patent Box, has decided to "self-liquidate" directly the benefit in question after having appropriately: a) communicated to the Revenue Agency of the express waiver of the *ruling request* presented at the time; b) communicated to the Revenue Agency of the preparation and possession of a documentary kit containing the information necessary for the aforementioned self-assessment.

The depreciation deducted but not recorded in the financial statements in compliance with the aforementioned legislation also had a significant impact for the purposes of determining the tax loss.

Explanatory note, financial statement

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

With regard to the method used, it is specified that, according to the provisions of OIC 10, it has adopted the indirect method on the basis of which the liquidity flow is reconstructed by adjusting the operating result of the non-monetary components.

Explanatory note, other information

The following is the other information required by the civil code.

Employment data

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

	Paintings	Employees	Workers	Total employees
Average number	9	44	108	161

Remuneration, advances and credits 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, specifying that there are no advances and credits and no commitments have been undertaken on behalf of the Administrative Body as a result of guarantees of any kind given.

	Administrators	Mayors
Compensation	498,000	18.200

Remuneration to the statutory auditor or auditing company

The following table shows, broken down by type of services provided, the fees payable to the auditing firm.

	Statutory audit of annual accounts	Total fees due to the statutory auditor or auditing company
Value	31,000	31,000

Categories of shares issued by the company

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

	Initial consistency, number	Initial consistency, nominal value	Final consistency, number	Final consistency, nominal value
Ordinary shares	16,829,887	1	16,829,887	1
Total	16,829,887	1	16,829,887	1

Securities issued by the company

The company has not issued any security or similar value falling within the provisions of 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 civil code.

Commitments, guarantees and potential liabilities not resulting from the balance sheet

The following table shows the information required by art. 2427 n. 9 of the civil code.

Commitments deriving from existing leasing contracts include the option to exercise the right of redemption.

The timing of the commitments shown in the table is as follows:

- installments due within the following financial year 175 thousand euros;
- installments due beyond the next financial year 1,422 thousand euros (of which over five years 832 thousand euros).

Amount

	Amount
Engagements	1,597,266
of which in the matter of pensions and the like	-
of which towards subsidiaries	-
of which towards associated companies	-
of which towards parent companies	-
of which towards companies subject to the control of the parent companies	-

Information on assets and loans intended for a specific business

Assets intended for a specific business

It is certified that at the closing date of the financial statements there are no assets destined for a specific business referred to in no. 20 of the art. 2427 of the civil code.

Loans intended for a specific business

It is certified that at the closing date of the financial statements there are no loans destined for a specific business referred to in no. 21 of the art. 2427 of the civil code.

Information on transactions with related parties

Transactions with related parties were carried out during the year; these are transactions concluded at market conditions, therefore, based on current legislation, no additional information is provided.

Information on agreements not resulting from the balance sheet

During the year, no agreement was entered into which is not shown in the balance sheet.

Information on significant events occurring after the close of the financial year

With reference to point 22-quater of art. 2427 of the civil code, there are no significant events after the end of the financial year that have had a significant impact on the equity, financial and economic performance.

Despite the persistence of the Covid-19 pandemic, in the first months of the following year, the company did not suffer any impacts of an exceptional nature and continues its activity in compliance with the regulations in force, aimed at containing the contagion and the spread of the virus.

In addition to the pandemic, as everyone knows, on the night between 23 and 24 February 2022, Russia officially launched a military invasion of Ukraine, which has led many countries around the world to take actions, which are currently not The European Union, as well as the United Kingdom and the United States of America, immediately inflicted a series of very heavy economic sanctions, which aimed at hitting Russia from an industrial point of view, financial and social.

The adverse effects of the war in Ukraine, in addition to representing the war itself, a catastrophe from a humanitarian and social point of view, even if only indirectly, have already impacted quarter of the year 2021 in truth, the international

economy with the shortage of raw materials, which was followed by an immediate increase in the price of the same in addition to the increase in the cost of electricity and gas.

Therefore, in the light of what has been represented up to now, the direct and indirect impacts that the Russia-Ukraine conflict may have on Italian companies, depending on the sectors in which they operate, appear evident. In this regard, it should be noted that the CMD is not exposed to strategic, credit and financial risks.

CMD continues to establish itself on the sustainability and Circular Economy market with the continuous development of innovative solutions.

This year, for the first time, CMD's Sustainability Report for the year 2021 was produced.

The current economic scenario is dominated by risks and uncertainties linked to climate change and the epidemiological emergency, but also by a digital transformation that pervasively penetrates the way in which everything is done and by the advance of profound demographic transformations. . It is therefore important for businesses and the financial world to take climate-related factors into account.

In today's society, the value created by the company no longer takes into account only economic and financial factors: this instead includes the assessment of the latter's ability to reduce exposure to risks and to generate new opportunities for the context in which it is emerged.

This, combined with the growing attention of consumers towards environmental and social issues, entails the need for every organization to enhance its ESG performance as much as possible.

We therefore thought that the time had come to take stock of our activities, so as to be able to communicate the results and, at the same time, identify areas for improvement to continue with renewed commitment and enthusiasm.

The 2021 Sustainability Report prepared by the CMD SpA company considers the period from 1 January 2021 to 31 December 2021 as the time interval and constitutes the first Non-Financial Statement - NFS - submitted voluntarily by the company. For the drafting of the same we have decided to follow international standards. As there are no previous reports to refer to, 2021 is defined as a baseline, to be maintained for future Sustainability Reports.

Finally, during the month of April 2022, there was the issue of a bond loan (hereinafter also a Minibond or Loan), subscribed by Riello Investimenti Partners SGR SpA ("Riello"), with a total nominal value of 5 , 5 million euros, guaranteed by SACE, with a duration of 8 years starting from the issue date of 13/04/2022, with maturity 2030, issued at the nominal Euribor rate 3M (floor 0%, ceiling 2%) + 6% - effective days on a 360 basis, to be paid on a quarterly basis, on March 31, June 30, September 30 and December 31 of each financial year. This Bond Loan provides for 3 covenants calculated mainly on PN, NFP and EBITDA.

Companies that draw up the financial statements of the largest / smallest set of companies to which it belongs as a subsidiary

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

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

We certify that no derivative financial instrument has been subscribed.

Summary statement of the financial statements of the company that exercises management and coordination

Pursuant to art. 2497-bis, paragraph 4 of the civil code, we certify that the company is not subject to management and coordination by others.

Information pursuant to art. 1, paragraph 125, of law no. 124

In relation to the provisions of art. 1, paragraph 125-bis, of Law 124/2017, regarding the obligation to disclose in the supplementary note any sums of money received during the year by way of grants, contributions, paid assignments and in any case economic advantages of any kind from public administrations and the subjects referred to in paragraph 125-bis of the same article, the Company certifies that during the year it collected the net amounts shown in the table below.

DESCRIPTION	AMOUNT
SA.50064 - 525 - Development contracts referred to in article 43 of the decree-law of 25 June 2008, n.112, converted by law 6 August 2008, n. 133	1,574,000

Proposal for the allocation of profits or coverage of losses

Dear Shareholders, in the light of the above, the Administrative Body proposes to allocate the profit for the year as follows:

- 12,103 euros to the legal reserve;
- 229,965 euros to the extraordinary reserve.

In relation to the obligation pursuant to art. 60, paragraph 7-ter of Legislative Decree 104/2020, the Administrative Body, as previously illustrated, proposes to set up the unavailable reserve equal to 3,293,112 euros with the use of the extraordinary reserve.

Explanatory note, final part

Dear Shareholders, We confirm that these financial statements, consisting of balance sheet, income statement, cash flow statement and explanatory note, truthfully and correctly represent the equity and financial situation of the company, as well as the economic result for the year and correspond to the accounting records. We therefore invite you to approve the draft financial statements as at 31/12/2021 together with the proposed allocation of the operating result, as prepared by the Administrative Body.

The financial statements are true and real and correspond to the accounting records

San Nicola La Strada (CE), 13/04/2022

For the Board of Directors

Jingyu Huang, President

Mariano Negri, Director and Chief Executive Officer

Giorgio Negri, Director

Chen Jinwen , Councilor

Sun Xin , Councilor

CMD COSTRUZIONI MOTORI DIESEL SPA

Registered office: Nucleo Industriale Valle di Vitalba ATELLA (PZ)
Registered in the Business Register of the Chamber of Commerce of BASILICATA
CF and registration number: 05913290630
Registered in REA n. PZ 78972
Fully paid-up share capital € 16,829,887.00
VAT number: 03326801218

Management report

Financial statements as of 31/12/2021

Dear Shareholders, in the explanatory note you have been provided with information relating to the illustration of the financial statements as at 31/12/2021; in this document, in accordance with the provisions of art. 2428 of the Italian Civil Code, we provide you with the news concerning the situation of your company and information on the management trend. This report, drawn up with values expressed in units of Euro, is presented together with the financial statements in order to provide income, equity, financial and management information of the company accompanied, where possible, by historical elements and prospective assessments.

Information on the company

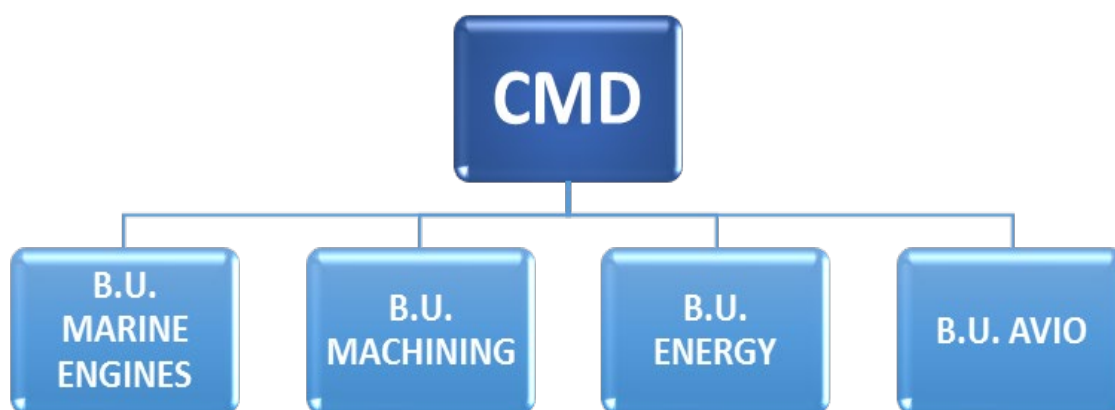
Our Company, as you know, operates in the mechanical engine manufacturing sector and is recognized worldwide as a leader in the development of high-tech diesel and petrol engines, as well as related components.

The strength of the Company is the ability to develop innovative products starting from a simple design, customer support in all phases of product development, flexibility in providing a quick solution: from design, to testing, to finish everything, linked to series production.

CMD Costruzioni Motori Diesel SpA (hereinafter also referred to as "CMD") operates in the market of engine engineering, production and marketing services through the following Business Units :

- **BU Machining** : currently the company's core business, supported above all by the successes in the Industrial and Automotive sectors.
- **BU Marine Engines** : the company develops and manufactures engines for the marine sector which it distributes under the FNM brand.
- **BU Avio** : fulcrum of research and development activities for new projects relating to the design and construction of engines, also for the Energy and Aviation segments; the creation of products in the latter market segment has not yet had an impact in terms of turnover, but represents a further important factor of potential growth.
- **BU Energy** : the new frontier of the company's development in the energy sector in which, over the years, it has expressed all its interest and potential by combining ideas, motoring know-how and great flexibility in adapting its knowledge to the needs that have arisen, creating a truly broad market perspective.

The four strategic business areas are represented in the diagram below.



The areas in question, organized according to a divisional structure, are coordinated by the general management, supported by the administrative, financial and control area.

Facts of particular importance

Here are some particularly important facts that it is considered useful to highlight for your attention.

The year ended shows a profit of 242 thousand euros.

During the year, the Company continued investments for over 17.4 million euros, of which 7.3 million euros only in research and development and 10.1 million in the purchase mainly of plant and machinery, industrial equipment and works in economics for the completion of two new CMD plants with the aim, in the long term, of increasing the production capacity of the company, in relation to which investments are expected to make a great contribution to future profitability, in particular in the context of construction of the ongoing industrial development program (hereinafter also the "Development contract"), approved by Invitalia pursuant to the Resolution dated 11/10/2018 for a total of 35.2 million euros, divided into 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 implementing corporate strategies. The related concessions that can be granted amount to a total of 13.7 million euros, of which 5.2 million euros relating to the industrial project as a non-repayable grant, 3 million euros as a subsidized loan and 5.5 million euros in relation to the research and development project as a contribution to the expenditure.

Despite the spread of the Covid-19 pandemic also characterized the year 2021, continuing to have important repercussions on the management of companies at an international level, in particular with regard to regular operations and financial flows, the **Management of the CMD** carefully monitored the flows of liquidity, purchases, supplier schedules, the trend of sales and orders from customers in order to be able to intervene promptly, in order to have the minimum resources available to be able to fulfill existing and future obligations.

In particular, it was decided to:

- resorting to loans guaranteed by the state in order to have sufficient liquidity to cover needs in the short term;
- resort to the redundancy fund given the government provisions for the containment of the Covid-19 contagion;
- defer payment of suppliers for investments;
- issue of a new bond, guaranteed by SACE.

In fact, with adequate management of the tools, facilities and resources available, the Company has correctly fulfilled all the social security and social security obligations envisaged by current legislation; it paid the salaries to employees without delay, managed the debt with suppliers without stopping the investments in progress and the commitments envisaged by the Development Agreement and with the financial institutions with which it has relations.

In addition, the Company also obtained the waiver from Amundi SGR SpA in order to postpone the payment of the last installment of the bond loan (hereinafter also Minibond or Loan) originally due on 31 December 2021. In this regard, it is noted that the Company has fulfilled the commitments linked to the aforementioned Loan for its repayment.

By virtue of the aforementioned Legislative Decree "Liquidity Decree", it should be noted that the Company had, right from the start, access to credit with well-known financial institutions, guaranteed by SACE and MCC and continues to enjoy the trust of the institutions also during the year 2022.

Under the aforementioned Legislative Decree "Liquidity Decree", it should be noted that the Company, on 08/02/2021, entered into a loan agreement with IFIS (formerly AIGIS Banca) for a total amount of 1 million euro, guaranteed by SACE, at the nominal annual rate of 3.75%, with a duration of 60 months with quarterly repayment starting from 30/09/2021.

In this regard, it should be noted that on 31/12/2021 all payments are in line with the amortization plan of the aforementioned loan.

During the month of April 2022, there was the issue of a bond loan (hereinafter also a Minibond or Loan), subscribed by Riello Investimenti Partners SGR SpA ("Riello"), with a total nominal value of 5.5 million euros, guaranteed by SACE, with a duration of 8 years starting from the issue date of 13/04/2022, with maturity 2030, issued at the nominal Euribor rate 3M (floor 0%, ceiling 2%) + 6% - actual days on a 360 basis, to be paid on a quarterly basis, on March 31, June 30, September 30 and December 31 of each financial year. This Bond Loan provides for 3 covenants calculated mainly on PN, NFP and EBITDA.

Despite the persistence of the Covid-19 pandemic, in the first months of the following year, the company did not suffer any impacts of an exceptional nature and continues its activity in compliance with the regulations in force, aimed at containing the contagion and the spread of the virus.

Furthermore, there was an increase in turnover for 2021 compared to that recorded at the end of the previous year (+ 84%), thanks, in particular, to the sales volumes of e-bikes, a "non-core" product, launched at the end of the 2020 financial year, in order to bridge the production stoppages due to the pandemic, and sustained throughout the 2021 financial year due to the enormous sales boom. However, we point out that the decrease in turnover in 2020 (- 36% compared to 2019) due exclusively to the COVID - 19 pandemic, was only partially recovered in 2021 (- 31% compared to in the 2020 financial year of the "core" turnover) due to the slow recovery of the Company's typical turnover, as well as the slow recovery of the pre-pandemic margins deriving from the spread of Covid 19 (-31% compared to the previous year) for outbreak of war in Ukraine.

For these reasons, notwithstanding the provisions of article 2426, first paragraph, no. 2 of the Italian Civil Code regarding the annual depreciation of tangible and intangible fixed assets, the Company has made use of the option provided for by art. 60 DL. 104/2020 to suspend the depreciation of tangible fixed assets.

In addition to the pandemic, as everyone knows, on the night between 23 and 24 February 2022, Russia officially launched a military invasion of Ukraine, which has led many countries around the world to take actions, which are currently not The European Union, as well as the United Kingdom and the United States of America, immediately inflicted a series of very heavy economic sanctions, which aimed at hitting Russia from an industrial point of view, financial and social.

The adverse effects of the war in Ukraine, in addition to representing the war itself, a catastrophe from a humanitarian and social point of view, even if only indirectly, have already impacted quarter of the year 2021 in truth, the international economy with the shortage of raw materials, which was followed by an immediate increase in the price of the same in addition to the increase in the cost of electricity and gas.

Therefore, in the light of what has been represented up to now, the direct and indirect impacts that the Russia-Ukraine conflict may have on Italian companies, depending on the sectors in which they operate, appear evident. In this regard, however, it should be noted that the CMD is not exposed to strategic, credit and financial risks.

In this regard, it should be noted that:

- the Board of Directors and the shareholder Loncin Motor have always been constantly informed by the CEO and the Management of CMD about the impact that the pandemic, and today the war, would have had on CMD;
- that all the actions to combat the COVID pandemic were implemented by the CEO and the management in harmony and in agreement with the shareholder Loncin Motor and the Board of Directors of CMD;
- that the effects and repercussions on CMD's business are promptly and constantly monitored by the CEO and the management of CMD in harmony and in agreement with the shareholder Loncin Motor and the Board of Directors of CMD.

Finally, it should be noted that on 17/03/2022 the Rating Committee of Cerved Rating Agency met to update the public rating of CMD, resolving to improve the rating of Costruzioni Motori from B2.1 to B1.2 Diesel SpA

The year 2021, like the previous one, was still strongly conditioned by the COVID-19 pandemic, for this reason numerous events and fairs in the various sectors have necessarily been postponed to 2022.

Throughout the year CMD continues to expand, giving a strong green imprint to all its know-how.

CMD's objective for the year 2021, in fact, was to push, with a certain speed, on the "green revolution": **sustainability and energy transition become fundamental topics** for the company although they have always been, focusing the skills of each BU in the design of solutions for environmental protection.

During the 2021 financial year, CMD not only carried out greater promotion of existing products, but also accelerated the development of new projects to protect the environment: at the beginning of the year, ECOBurner, the innovative gasification boiler, was launched on the market. fueled by residual woody biomass which, together with ECO20x today give life to the ECO line, has shown more attention in the promotion of the Blue Hybrid System, thus strongly increasing sales, and the design of systems for the generation of green hydrogen, considered the future in the field of fuels.

Furthermore, this year, for the first time, CMD's Sustainability Report for the year 2021 was produced.

The current economic scenario is dominated by risks and uncertainties linked to climate change and the epidemiological emergency, but also by a digital transformation that pervasively penetrates the way in which everything is done and by the advance of profound demographic transformations. . It is therefore important for businesses and the financial world to take climate-related factors into account.

In today's society, the value created by the company no longer takes into account only economic and financial factors: this instead includes the assessment of the latter's ability to reduce exposure to risks and to generate new opportunities for the context in which it is emerged.

This, combined with the growing attention of consumers towards environmental and social issues, entails the need for every organization to enhance its ESG performance as much as possible.

We therefore thought that the time had come to take stock of our activities, so as to be able to communicate the results and, at the same time, identify areas for improvement to continue with renewed commitment and enthusiasm.

The 2021 Sustainability Report prepared by the CMD considers the period from 1 January 2021 to 31 December 2021 as the time interval and constitutes the first Non-Financial Statement - NFS - submitted voluntarily by the company. For the drafting of the same we have decided to follow international standards. As there are no previous reports to refer to, 2021 is defined as a baseline, to be maintained for future Sustainability Reports.

After obtaining the DOA (Design Organization Approval) certification in 2019, the **Avio BU** of the CMD in July 2021, having passed the audit at ENAC, obtained the POA (Production Organization Approval) certification.

The acronym POA stands for **Production Organization Approval**. It refers to the approval of the CMD aircraft engine production organization in accordance with Part 21 - Chapter G (EC Reg. 748/2012 and subsequent amendments).

In the specific case of CMD, obtaining this approval grants the company the privilege of issuing EASA Form 1 for its aircraft engines without further demonstration.

Thanks to the POA, CMD will be able to operate in the certified aeronautical world, producing and supplying certified engines (with specific airworthy language) to its customers aircraft and, therefore, to operate on the aeronautical market on a par with the very few Italian and European companies that produce engines.

The continuous development activities aimed at obtaining the certification of the GF56 engine represent another fundamental element for CMD throughout 2021.

In July 2021, the Russian company NIK exhibits our CMD18 at MAKS 2021.

As for the dpt. electronic, the remote tracking and data detection system of the vehicle, developed in collaboration with the University of Bologna, has acquired additional functions compared to the first prototype which was presented at the end of 2020 and has finally been completed.

Since the beginning of the year, the BHS has been converted to be used also in the automotive sector: at the beginning of 2021 the COSECO project starts, involving both the electronic and marine departments for the development of an electrical system to be installed on the endothermic of a COSECO EURO CARGO Waste Compactor Truck.

There were also several commercial offers, one of the most important certainly the one for IIA AUTOBUS for the hybridization of scheduled buses (Citymood12): the project is underway and will certainly continue to be so for a good part of 2022.

In 2021 the design of the FADEC was completed and in the near future CMD will also conclude the entire process for obtaining the certification both for the hardware part (according to the DO-160G regulation) and for the software part (according to the DO-178 Level C). All this was also possible thanks to the collaboration with INFINEON Technologies, an important German manufacturer of microcontrollers and electronic components.

During 2021, a control unit for piloting engine glow plugs was built and certified according to avionics standards. This control unit called GPCU (Glow Plug Control Unit) allows you to control all types of glow plugs currently on the market, both with fixed power supply and PWM control with current regulation.

Furthermore, the electronic group has participated in the creation of a plug-in hybrid system for marine hybrid engines, not only FNM Marine (BU Marine Engines of CMD), but also of other manufacturers (e.g. Volvo Penta), and has also created a supervision unit of the hybrid system: Hybrid Control Unit.

With regard to the **Marine Engines BU** , we point out that the beginning of 2021 saw the urban waste collection and transport sector convert to green: in fact, in January, after months of analysis and testing, the first hybrid boat of the Veritas multiutility was launched. Venice, while the hybridization of the Coseco compactor , a Bari company, is at the very last steps.

The Marine Engines BU is the one that has participated in the most trade fairs during 2021, most of them in collaboration with AS Labruna, our exclusive distributor for Italy.

At the end of May he participates in the Venice Boat Show presenting the BHS. During the event, visitors had the opportunity to view the excellent performance, the surprising "zero emissions" and the low noise levels of the system installed on various boats present at the Show, both private and institutional, such as:

- patrol boat of the Guardia di Finanza
- Veritas boat
- taxi Arma dei Carabinieri
- ECO 850 Hybrid taxi
- taxi DP7 CASANOVA

The latter participated in the E-REGATTA, winning the first prize. The E-REGATTA is the first regatta for electric, hybrid and fuel cell boats, organized by the partners Assonautica di Venezia, Associazione Motonautica di Venezia, VeniceAgenda2028, Venti di Cultura and IWI- Inland Waterways International held during the event.

In September, BU Marine Engines participates in 2 trade fairs: Genoa Boat Show (16 - 21 September) and Cannes Yachting Festival (7-12 September), the latter in collaboration with the ECOLINE MARINE shipyard (presentation of the ECOLUX hybrid boat BHS motorized with FNM MARINE diesel engine of 300 horsepower in / outboard and BHS electric motor of 20 kW).

In November he takes part in the "Navigare" event held in Naples (Posillipo). Also in 2021 the Marine Engines BU acquires new dealers all over the world: A. Falzon Energy Projects Ltd. becomes distributor of the FNM brand in Maltese territory.

As for scientific publications, the Marine Engines BU , together with the Institute of Sciences and Technologies for Sustainable Energy and Mobility and the Federico II Engineering Faculty of Naples, draws up a new scientific paper on the design and management of an innovative thermoelectric hybrid propulsion system for the nautical sector.

The article was published in "Energy Conversion and Management", a magazine published by Elsevier, one of the most important scientific publishing houses on an international level.

Within the work, entitled "Model based optimal management of a hybrid propulsion system for leisure boats ", is explained, through the case study of a pleasure boat used for the transport of passengers in tourist areas, how revolutionary the introduction of innovative hybrid solutions in navigation has been and how indispensable it is for the abatement of greenhouse gas emissions.

Another important milestone for the Marine Engines BU were the results obtained from the tests carried out in the water at the end of the year of the boat developed as part of the IMARE project.

With regard to the **Energy BU** , on the other hand, the following projects carried out in 2021 should be noted:

- Prometeo project - energy enhancement deriving from different sectors including the agro-industrial sector.
- The great result concerns the construction of a reactor defined as omnivorous capable of processing biomass from different compartments and has the characteristic of being able to gasify biomass with an ash content higher than 5%.
- Green Farm Project - it could be defined as a "hybrid system", or rather the combination of a photovoltaic solar system including electrical storage with the biomass micro-cogeneration system (ECO20x). This system allows the production of electrical and thermal energy in an off- grid manner .

This year's innovations in the Energy sector were:

- ECOBurner , the gasification boiler for civil, industrial, agricultural and remote heating use. It is particularly suitable for medium-power thermal systems fueled by natural gas.
- ECOH2O system for the production of green hydrogen from the electrolysis process through the gasification of residual biomass, integrating the ECO20x micro-generator and an electrolyser.

In October 2021, CMD participated in KEY ENERGY 2021 (Rimini Exhibition Center), a fair entirely dedicated to energy efficiency and renewable energy, while maintaining its commitment to sustainability. During the fair, the latest soundproof version of the ECO20x microcogenerator and the absolute novelties ECO Burner and ECOH2O were presented.

The users to whom CMD addressed during the event, in addition to individuals and companies, were the Municipalities and Public Administrations: an integrated system to allow them not only to produce renewable energy, but also green hydrogen for sustainable transport in effective, simple and safe way.

Green hydrogen can be used as:

- Raw material: in the production processes of the chemical, refining and steel industry.
- Energy vector: to be transformed into electricity or thermal energy in strategic sectors to be decarbonised (mobility, industry, transport, residential).

During the first days of March EASY VENT CF01, *CMD pulmonary ventilator* finally obtained the certification.

Finally, from 19 to 26 March 2022, in conjunction with the World Water day (22 March), the WATER WEEK was held at EXPO 2020 in DUBAI, an entire week dedicated to the most precious asset on the planet, water.

During this week, a series of events were staged at the Italian Pavilion that address issues such as the right of access to water resources, the international cooperation of countries bordering the Mediterranean and those bordering the Indian Ocean from different perspectives, as well as more specifics such as coastal erosion, the prospects for large ports and maritime trade and of course the future of tourism in our regions.

One of the most important was certainly the " Regional Day", which included an entire day dedicated to the single Region, with forums, workshops and initiatives that involved representatives of institutions - local, national and international - students and the best excellence in the area. .

The CMD Energy BU participated in the Basilicata Regional Day (held on March 24) as an associated company of both the Basilicata ETS Energy Cluster and the Basilicata Automotive Cluster, presenting its technological excellence and its solutions developed for sustainability and environmental protection.

The protagonists are the ECO line, but above all the process for the production of hydrogen (obtained through the electrolysis of water, therefore strongly related to the topic of water) and the systems and hybridization processes in the marine environment, also connected to the water and to its safeguard.

The energy transition also affects the automotive sector and industry, converting it to green: in 2021 the **Machining BU** receives new orders for the production of mechanical components for electric mobility.

At the end of 2021 the production of components for the new electric Maserati began.

In the field of renewable energies, CMD has received an order for the machining of hubs for wind turbines (Business diversification).

Other important projects carried out by BU Machining in the year 2021:

- Production of two new components for the DUCATO (commercial vehicle)
- Base production increase for the Aprilia Tuareg 660

Management and coordination activities

Pursuant to art. 2497-bis, paragraph 5 of the civil code, we certify that the company is not subject to management and coordination by others.

Balance sheet and financial situation

In order to better understand the financial position of the company, a reclassification table of the balance sheet is provided below.

Balance sheet assets

Voice	Financial year 2021	%	Exercise 2020	%	Variation absolute	Variation %
WORKING CAPITAL	46.154.627	37.83%	49,610,463	43.02%	(3,455,836)	(5.19)%
Immediate liquidity	4,131,777	3.39%	5,595,271	4.85%	(1,463,494)	(1.47)%
Cash and cash equivalents	4,131,777	3.39%	5,595,271	4.85%	(1,463,494)	(1.47)%
Deferred liquidity	24.786.878	20.31%	27,043,411	23.45%	(2,256,534)	(3.14)%
Receivables from shareholders						
Short-term current assets receivables	23,989,045	19.66%	24,740,808	21.45%	(751,763)	(1.79)%
Short-term fixed assets						
Tangible fixed assets intended for sale	0	0%	1,380,530	1.20%	(1,380,530)	(1.20)%
Financial activities						
Prepayments and accrued income	797,833	0.65%	922,073	0.80%	(124,240)	(0.15)%
Inventories	17,235,972	14.13%	16,971,781	14.72%	264,191	(0.59)%
FIXED ASSETS	75.865.327	62.17%	65,708,773	56.98%	10,156,554	5.19%
Intangible assets	16,225,862	13.30%	15,019,707	13.02%	1,206,155	0.27%
Tangible fixed assets	57,618,828	47.22%	47,549,341	41.23%	10,069,487	5.99%
Financial fixed assets	145,439	0.12%	145,439	0.13%		(0.01)%
Medium / long term current assets receivables	1,875,197	1.54%	2,994,286	2.60%	(1,119,089)	(1.06)%
TOTAL LOANS	122,019,953	100.00%	115,319,236	100.00%	6,700,717	

Liabilities Balance Sheet

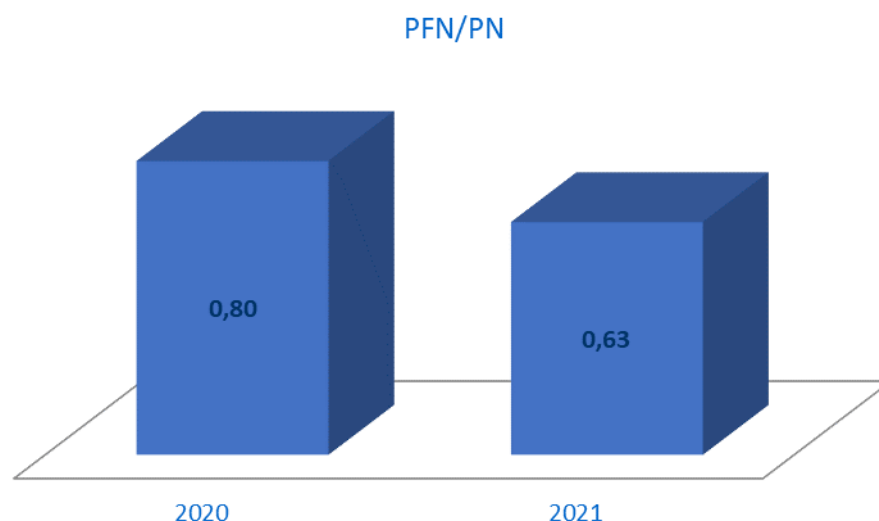
Voice	Financial year 2021	%	Exercise 2020	%	Variation absolute	Variation %
THIRD PARTY CAPITAL	78.058.531	63.97%	71.658.271	62.14%	6,400,260	1.83%
Current liabilities	45.339.802	37.16%	39.206.593	34.00%	6,133,210	3.16%
Short-term debt	31,146,066	25.53%	25,888,059	22.45%	5,258,007	3.08%
Accrued liabilities and deferred income	14,193,736	11.63%	13,318,534	11.55%	875,203	0.08%
Consolidated liabilities	32.718.729	26.81%	32,451,678	28.14%	267,051	(1.33)%
Medium / long term debts	30,540,554	25.03%	31,144,155	27.01%	(603,601)	(1.98)%
Provisions for risks and charges	1,761,491	1.44%	901,096	0.78%	860,395	0.66%
TFR	416,684	0.34%	406,427	0.35%	10,257	(0.01)%

Voice	Financial year 2021	%	Exercise 2020	%	Variation absolute	Variation %
OWN CAPITAL	43,961,423	36.03%	43,660,964	37.86%	300,452	(1.83)%
Share capital	16,829,887	13.79%	16,829,887	14.59%	0	(1) %
Reserves	26,889,468	22.04%	25,107,253	21.77%	1,782,215	0.26%
Profits (losses) carried forward						
Profit (loss) for the year	242,068	0.20%	1,723,831	1.49%	(1,481,762)	(1.30)%
Covered loss for the year						
TOTAL SOURCES	122,019,954	100.00%	115,319,236	100.00%	6,700,712	

Main indicators of the equity and financial situation

On the basis of the previous reclassification, the following balance sheet indicators are calculated:

INDEX	Financial year 2021	Exercise 2020	% Variations
Fixed assets coverage	59.42%	68.12%	-12.78%
Banks on working capital	20.74%	49.12%	-57.77%
Debt index	1.06	1.64	-0.355449
Financial debt ratio	0.708	0.93	-0.2381868
Equity on invested capital	36.03%	37.86%	-4.84%
Financial charges on turnover	2.88%	4.61%	-37.48%
Availability index	101.80%	126.54%	-19.55%
Primary structure margin	(30,028,706.00)	(19,053,523.00)	0.58
Primary coverage index	0.59	0.7	-0.1921584
Secondary structure margin	2,690,022.00	13,398,157.00	-0.80
Secondary coverage index	1.04	1.21	-0.143507
Net working capital	814,825.00	10,403,871.00	-0.92
Primary cash margin	(16,421,148.00)	(6,567,910.00)	1.50
Primary treasury index	63.78%	83.25%	-23.38%



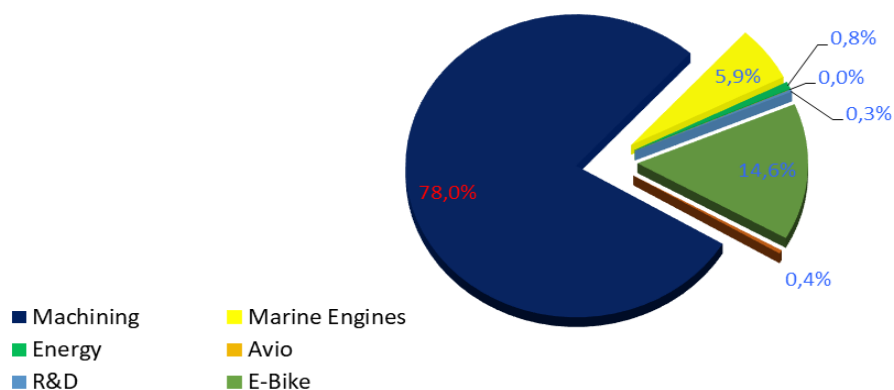
Economic situation

To better understand the company's management result, a reclassification statement of the income statement is provided below.

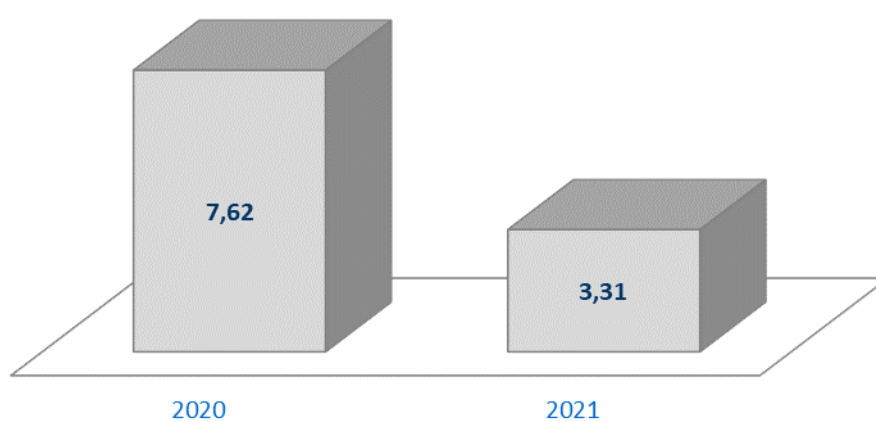
Income statement

INCOME STATEMENT	2017	2018	2019	2020	2021
REVENUES	32,558	32,349	32,037	20,505	37,813
%	10.67%	-0.6%	-1.0%	-36.0%	84.4%
TURNOVER	41,638	39,678	40,763	25,723	48,467
Growth (%)	27.13%	-4.7%	2.7%	-36.9%	88.4%
EBITDA	9,908	9,816	7,890	4,557	8,374
Ebitda (%)	23.80%	24.74%	19.4%	17.7%	17.3%
EBIT	5,868	5,228	2,013	3,323	2,206
Ebit (%)	14.09%	13.18%	4.9%	12.9%	4.6%
NET PROFIT	3,006	2,234	557	1,724	242
Net profit (%)	7.22%	5.63%	1.4%	6.7%	0.5%

Breakdown Revenues 2021



PFN/EBITDA



Main indicators of the economic situation

On the basis of the previous reclassification, the following balance sheet indicators are calculated:

INDEX	Financial year 2021	Exercise 2020	% Variations
ROE (Return On Equity)	0.55%	3.95%	-86.06%
ROI (Return On Investments)	2.15%	4.38%	-50.99%
ROS (Return On Sales)	5.83%	16.21%	-64.01%
ROA (return On Assets)	2.98%	4.97%	-40.01%

Information pursuant to art 2428 C.C.

The information specifically required by the provisions of art. 2428 of the Civil Code.

Main risks and uncertainties to which the company is exposed

Pursuant to and for the purposes of art. 2428, paragraph 1 of the Italian Civil Code, a description of the main risks and uncertainties to which the company is exposed is provided below.

In this regard, there are no significant deficiencies in the internal control systems. The high level of experience that distinguishes the prevalent part of the collaborators assigned to the control and to the assumption, together with the top management, of relevant decisions determines the success and reliability of a company. Human resources must be organized, therefore by establishing tasks and responsibilities, the positions of the subject in the company are established, so as to easily reach the planned objectives and the established standards.

Furthermore, it should be noted that the implementation of the Organization, Management and Control Model pursuant to Legislative Decree 231/2001, awaiting approval.

It should also be considered that the Quality System is implemented and identified with all the operating instructions based on the TS16949: 2016 standard.

In order to safeguard the company and respect for the working environment, CMD SpA has created an Environmental Management System of Quality Management and System. This activity culminated with the achievement of the ISO 14001: 2015 environmental certification. In addition, the company is certified AS 9100D / EN 9100: 2018 for the design and manufacture of aircraft components.

On the other hand, the Directors believe that CMD is exposed to the following risks:

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

Information is provided below relating to the Company's exposure to each of the risks listed above, to the objectives, policies and processes for managing such risks. The overall responsibility for the creation and supervision of the Company's risk management system lies with the administrative body.

The Company's risk management policies aim to identify and analyze the risks to which the Company is exposed, to establish appropriate limits and controls, to monitor risks and to comply with these limits. These policies and the related systems are periodically reviewed in order to reflect any changes in market conditions and in the Company's activities. 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 one of the counterparties to a financial instrument causes a financial loss by defaulting on 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 mainly depends on the specific characteristics of each client. The Company selects counterparties after a preliminary assessment of their credit standing; moreover, the credit risk is mitigated by the use of the factoring tool, which also mitigates the subsequent liquidity risk. The amount of receivables deemed to be of doubtful recoverability is contained in the amount of the bad debt provision reported in the financial statements. Furthermore, it should be noted that the credit risk is limited as trade receivables are mainly due from the largest global players in the automotive sector.

A.2 Financial investments

The Company at 12/31/2021 has an insignificant exposure to financial securities and does not believe there is any realization risk.

A.3 Guarantees

At 12/31/2021 he does not believe there is any risk of enforcement.

B. Liquidity risk

Liquidity risk is the risk that the Company will have difficulty in fulfilling the obligations associated with financial liabilities.

The Company's approach to liquidity management involves ensuring, as far as possible, that there are always sufficient funds to meet its obligations at maturity, without having to incur exorbitant charges or risk damaging one's reputation.

In this sense, the Company enjoys sufficient sources of financing to meet foreseeable financial needs, both for the purposes of current operational management and for the financial requirements necessary for the execution of the planned investments.

C. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument fluctuate following changes in market prices, due to changes in exchange rates, interest rates or the prices of equity instruments. The objective of market risk management is the management and control of the Company's exposure to this risk within acceptable levels, while optimizing the return on investments.

C.1 Currency risk

The Company is exposed to foreign exchange risks on sales and purchases.

The Company monitors the exchange rate risk on a constant basis and makes it possible to avoid significant exchange losses.

C.2 Interest rate risk

For some loan agreements, the Company has entered into derivative contracts in order to reduce the risk of fluctuations in future outflows.

With regard to the objectives and policies of the Company regarding the management of the financial risk on interest rates mentioned above, including the hedging policy adopted, please refer to the specific paragraph of the Explanatory Notes commenting on the derivative financial instruments held by the Company.

Main non-financial indicators

Pursuant to art. 2428, paragraph 2 of the Italian Civil Code, we certify that, due to the specific activity carried out and for a better understanding of the company's situation, performance and operating results, the exposure of non-financial indicators is not considered relevant.

Information on the environment

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

Since 2013, a process had been launched with the aim of improving the process of collecting the data and information necessary for the annual Sustainability Reports. To date, CMDSpA continues on this path, recording continuous improvements.

With regard to atmospheric emissions, as envisaged by the new PRG Executive Resolution. G 20154/2017 - U 19/05/2017 for the 9 smoke extraction chimneys, the results of which are within the limits imposed and approved with DGR n° 3340/99, 670/01, 1504/15 and Legislative Decree 152 / 2006.

Every semester analyzes are carried out on the waste water of the plants' sewage system as required by Legislative Decree 152/2006, from which no parameters beyond the permitted limits have emerged.

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

In 2021, separate collection continues through a careful selection of paper, plastic, iron, aluminum and wood, the percentage of separate collection has reached the already excellent one of 2020, i.e. equal to 85% of the waste produced by the company.

During the year, no environmental damage occurred for which the Company received definitive sanctions for crimes or environmental damage and even less was definitively condemned.

CMD, in fact, is able to prevent and anticipate future problems and needs and is able to manage changes. From an 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, ie with a reduced environmental impact compared to those usually used for the same purpose;
- energy saving;
- energy supply from renewable sources;
- the recovery of production waste;
- changes to packaging (packaging material) to make it less impactful, for example by reducing the weight of packaging and using reusable ones

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

All this communicating it not only externally, highlighting the environmental interventions carried out and the improvements obtained, but also within the company itself.

In fact, a policy is carried out aimed at raising 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 practicing environmentally friendly activities all over the world.

To this end CMD:

- defines plans and operational programs that respect the environment in all the activities it carries out;
- manages its plants through an effective 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 of the fact that preserving the quantity and quality of water is not just an environmental problem, but a challenge that embraces the entire economic and social system and, therefore, is committed to responsible management of water resources;
- sets environmental objectives and checks the progress made;
- is engaged in educational actions for its collaborators so that the above principles are pursued everywhere and at all levels of its structure.

Finally, to guarantee the above in a structured way, an Environmental Management System has been implemented in compliance with the ISO 14001: 2004 standard.

In fact, the verification of the integrated environmental and safety management system pursuant to the UNI EN ISO 14001 standards with the RINA body is confirmed also for 2020.

Information on personnel management

For the purpose of a better understanding of the company's situation and management performance, some information relating to personnel management is provided.

PERSONNEL INFORMATIONS	2020	2021
Age Average	45	46
High schooling personnel	113	120
High schooling level (high schooling personnel/total personnel)	75,33	74,53
outgoing turnover	1,33%	2,48%
disease rate	2,00%	2,24%

Total Staff	150	161
Workers men	92	104
Workers women	4	4
Employees men	32	33
Employees women	11	11
Apprentices man	0	0
Apprentices women	0	0
Collaborators men	4	6
Collaborators women	0	0
Executives men	10	8
Executives women	1	1
Manager men	0	0
Manager women	0	0
Staff	2020	2021
Manager	0	0
Employees	54	53
Workers	96	108
Total Staff	150	161

Health and safety in the workplace

The mission of CMDSpA is to guarantee the protection of the health and safety of workers through surveillance and control activities, as well as the promotion of health and safety in the workplace with the aim of preventing related diseases and accidents.

Given the changes relating to the corporate lay-out in the year 2021, a new DVR (Corporate Risk Assessment Document) was drawn up, in addition the Covid 19 and biological risk operating procedures were added.

In 2014, the World Class Manufacturing system was launched in collaboration with Fiat, a methodology that embraces all the plant's processes, from safety, to the environment, from maintenance to logistics and quality, through the elimination of accidents. improving and implementing safety standards, which qualify many of the most important manufacturers of goods and services in the world.

In 2021 it was not possible to carry out the audit with WCM for reasons of restrictions due to Covid 19, confirming the positive standards achieved last year.

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

During the year 2021 there were 2 accidents at work caused by occasional events of little importance.

Staff training

CMD SpA ensures that each worker receives sufficient and adequate training in health and safety, with particular reference to the general aspects of safety and the risks related to the duties 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 conceived 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 guarantees a varied and at the same time finalized training, capable of dealing with the transformations of work and of today's society.

During the year, the staff participated in the following courses required by law:

- Refresher course for Fire Prevention, Fire Fighting and Emergency Risk Management
- Worker information and training course pursuant to art. 37 of Legislative Decree 81/08.
- Refresher Course for Workers' Representative for RLS Safety.

- Information and training refresher course for workers pursuant to art. 37 of Legislative Decree 81/08 corrective to Legislative Decree 106/2009.
- Course for Medical First Aid.
- Refresher course for Supervisors and Managers.
- Forklift refresher course.

The Company has planned the participation of personnel on a rotating basis, in order to guarantee the training of workers in each time slot.

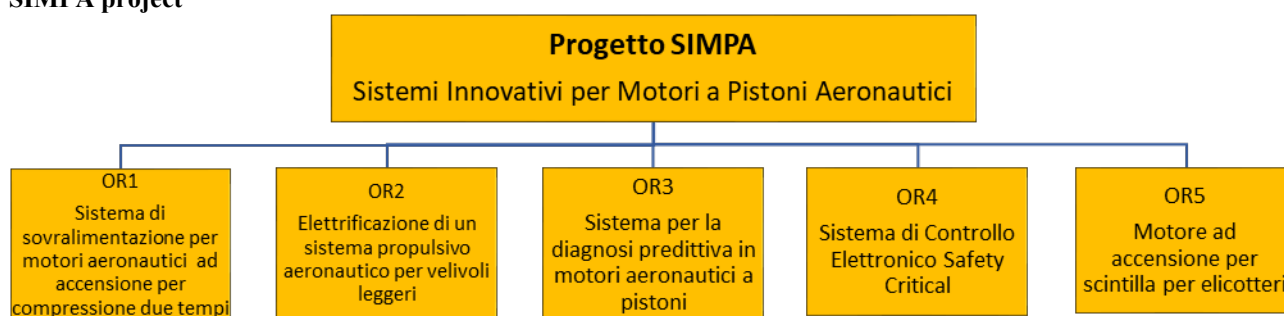
Research and development activities

Pursuant to and for the purposes of the provisions of art. 2428, paragraph 3, point 1 of the civil code, we show you the main R&D activities carried out by our company during the year ending, which were entered in the financial statements with the consent of the Board of Statutory Auditors.

Premise

Below is a description of the main progress made in the projects underway during the year 2021 in relation to each individual Implementation Objective (OR), with an indication of any deviations from the initial forecasts and the reasons for such deviations. . The activities developed in 2021 took into account the conclusions and criticalities identified in the previous year.

SIMPA project



OR1 BOOST SYSTEM FOR AERONAUTICAL ENGINES WITH TWO-STROKE COMPRESSION IGNITION

In the OR1, the development of the supercharging system was completed by absorbing the basic assumptions relating to the washing process and the injection / combustion process in order to maximize the thermofluidodynamic efficiency of the GF56, while maintaining low maximum pressure values in the combustion chamber. and respecting the torque / power targets. All the work continued with the extensive tests of the machines built.



Figure 1. Representation using CAD and calculation grid of the plenum

with double intake duct at the initial moment of the simulation.

OR2 ELECTRIFICATION OF AN AERONAUTICAL PROPULSIVE SYSTEM FOR LIGHT AIRCRAFT

As already noted in 2020, the acquisition of technologies and methodologies for the development of the system have oriented the development towards a MILD HYBRID configuration in the "aeronautical" sense, that is, without energy regeneration. The requirement was set by processing with an electrical generator of considerable power (5kW). The development of the hybrid configuration was then fixed on this scheme, which assumes the electric machine (reversible) as assigned and normally functioning as a generator by adding a system consisting of batteries, converters and control to enable the operation of the machine itself as an engine for short periods. In operation for short periods, essentially corresponding to take-off or to a sudden maneuver, the electric motor-driven machine can be powered with much higher power than the rated ones. In summary, the objective achieved was the system study on this configuration in its possible variants for the evaluation of the optimal configuration in terms of performance and weight.

OR3 SYSTEM FOR PREDICTIVE DIAGNOSIS IN AERONAUTICAL PISTON ENGINES

The activities carried out for this realization goal were characterized by having selected as a case study an engine on which a healthy configuration could be defined. The GF56 engine, being under development, does not have this characteristic necessary for the definition of predictive analysis algorithms.

The framing / setting up of the project therefore required an important commitment that could not be foreseen: an important scouting job was carried out by interviewing the most important academic and private groups on the subject of predictive diagnosis to verify their support for the development process.

The first operational approach that we tried to experiment was to use HW methodology in the loop and in particular dSpace with results that are not applicable; in addition, a trade-off study was carried out between the platforms and in particular NVIDIA Jetson was compared with other solutions (ie TESLA) and at the same time evaluating the convenience of services and services offered by the main internet platforms; an available case study was defined that could allow to define a healthy condition but still significantly similar to the GF56 by selecting the engine produced by CMD, FNM 1300 Diesel, for marine applications.

Subsequently we proceeded to:

- Define sensors for data acquisition in the test room;
- Healthy motor installation in the test room;
- Purchase and installation in the test room of sensors and related acquisition system;
- Definition of failures and methods of injection of failure products;
- Neural Network Test Campaign and Training Campaign.

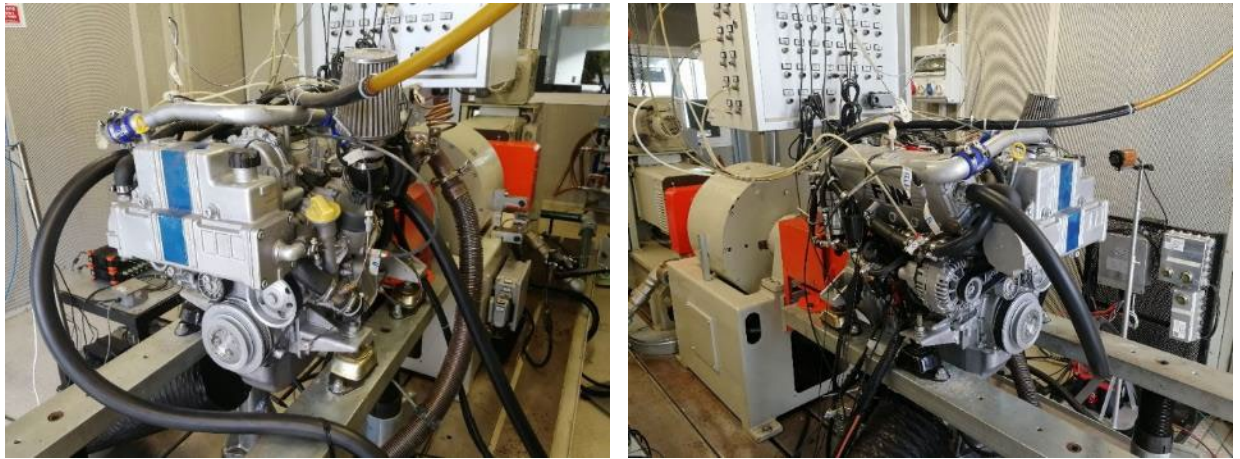


Figure 3 - motor installed and connected to the acquisition panel

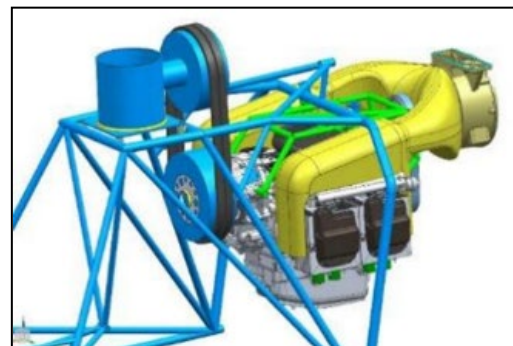
OR4 SAFETY CRITICAL ELECTRONIC CONTROL SYSTEM

The development of the OR4 continued through the finalization of the planned tasks. In detail, the following activities were completed for each individual task:

- Functional and safety requirements . The collection of functional and safety requirements led to the definition of a redundant architecture in hot standby, where only one of the two ECUs of the FADEC has control over the actuators.
- Enabling technologies survey - The architectures of different microcontrollers have been studied and the possibility of using them by the manufacturing companies has been verified. At the end of this path CMD selected the single-core microcontroller of the Aurix family from Infineon the TC237.
- System requirements. The description of a common rail injection system for diesel engines has been completed. The requirements relating to the mechanical characteristics of the engine and the high-pressure system were also identified, as well as the requirements relating to the hardware configuration of the injection system components.
- Control system design vers. 1 - A first redundant FADEC version identified with Model_0C was designed and built. The relative SW has been developed for the management of:
 - o Low Level Driver;
 - o Control strategies (Application Layer);
 - o Diagnosis and recovery strategies;
 - o Communication with the cockpit.
- Testing & Validation Plan - The development and validation of the SW are conducted in accordance with the DO-178C standard. Specifically, validation and testing activities were carried out:
 - o in the electronic laboratory by connecting the FADEC itself to a simulator and a cockpit that reflects what the pilot finds on the plane;
 - o in the engine test room, directly on a prototype of the GF56 engine.

OR5 SPARK IGNITION ENGINE FOR HELICOPTERS

The activities carried out for this realization objective have concerned the completion of the design and construction of the engine prototype with the CMD22 architecture and in-depth analysis of the installation hypotheses in the reference helicopter.



IMARE project

The activities of the iMARE project continued in 2021 and saw, as foreseen in the development plan, the installation of the demonstrator on the boat specially designed by the partner SALPA and the tests in the tank and at sea.

The activities concerned first of all the OR1 for the development of a simulation model of the entire hybrid propulsion chain of the boat. The numerical model was developed with the help of the GT-Suite simulation environment. A so-called “maps” approach was used, which allows to obtain scalable, flexible and low computational burden models, starting from data present in the datasheets of the single components or from data acquired on the bench by the project partners through experimental tests.

As is known, numerical simulation, through models characterized by a different level of detail, can be a valid support for the development of a new propulsion system. This aspect becomes even more relevant in the case in which the propulsion system is of the hybrid type, where, alongside the typical elements present in a thermal type system, there are new elements such as electric motors (traction and / or generation), batteries, control electronics, etc. As shown in Figure 1, the hybrid propulsion system object of the iMARE project activities was modeled considering its main components. In this regard, we focused on the modeling of the thermal engine, clutch, electric motor-generator and battery pack. A control system was then considered, based on a hierarchical scheme, useful for the implementation of on-board energy flow management strategies.

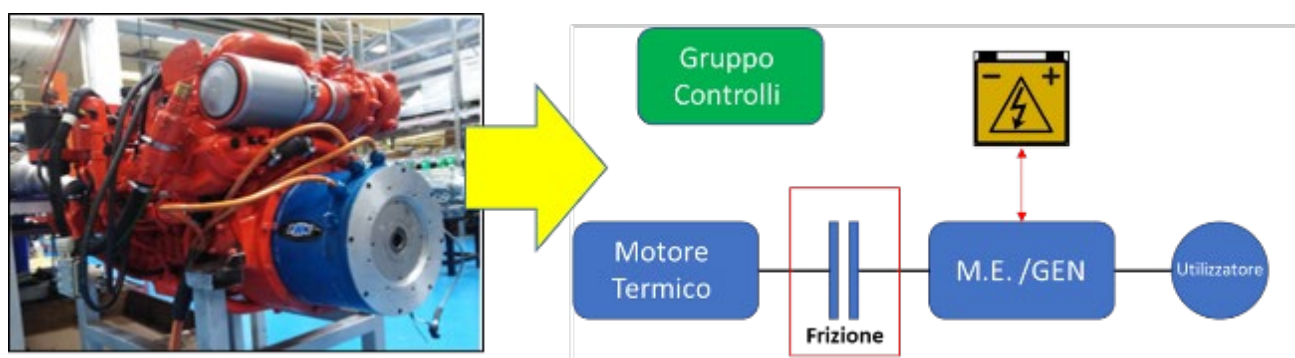


Figure 1 - Functional diagram of the model of the hybrid propulsion system

The activities of OR2 concerned the validation of the performance of the new engine, with the design choices made in the first phase of the project. To carry out the activities indicated, a test room was set up with the engine benched according to the following scheme:

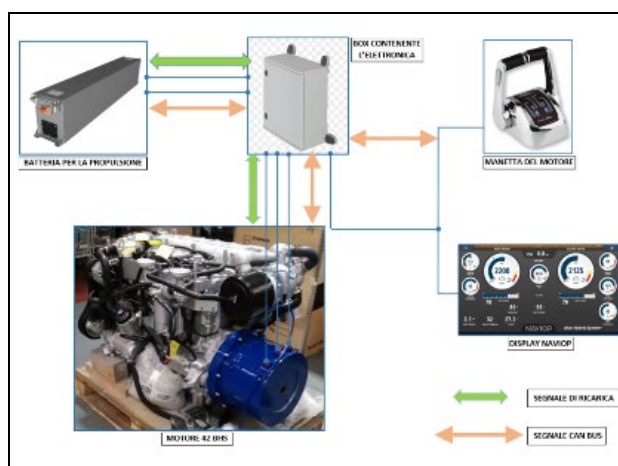


Figure 2 - Connection diagram

The scheme of Figure 2 consists mainly of the following components:

- Endothermic engine;
- Electrical panel (sample);
- Battery (sample);
- Throttle (sample);
- SIMRAD display.

Subsequently, with the OR6, the preparation of the test bench useful for the characterization of the hybrid propulsion system, object of the IMare project, took place. This activity is necessary to analyze and monitor the main operating parameters of the hybrid propulsion system. In particular, it is a prerequisite for the calibration of the main operating parameters of the heat engine, and also allows the parametric determination of the numerical model of the entire system and of the related components of the hybrid engine. This model will therefore make it possible to identify the management strategies and the related optimizations of the hybrid system that are best suited to the applications envisaged by the work cycle.

Finally, in complementarity with the SALPA activities, the construction of the final prototype coupled to the boat and the subsequent testing phase in the tank and then at sea was achieved.



Figure 3 - Tests in the water tank

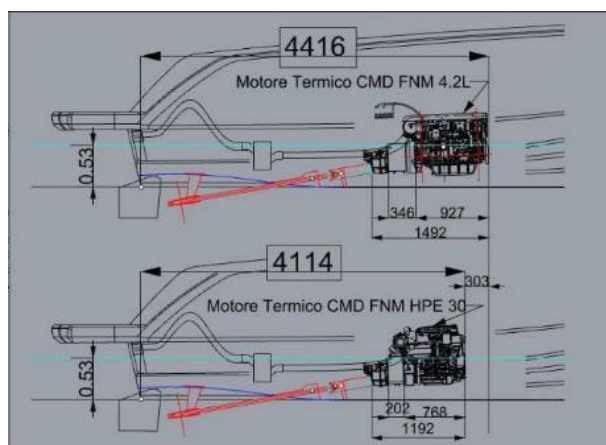


Figure 4 - Engine / boat coupling scheme

PROMETEO project

The PROMETEO project saw in 2021 an important development of the technology underlying the proposal, namely the ECO20 biomass micro-cogeneration system based on the coupling between a downdraft gasifier and an internal combustion engine. The interdisciplinary nature of the proposing group's skills, consolidated in the field of gasification, combustion, energy systems, plant engineering and control engineering, made it possible to overcome some intrinsic limits of the starting plant ("baseline" configuration). In particular, the initial system had the following limits, the most important summarized briefly below:

- 1) Autonomy in limited operation equal to 4 hours in relation to the small hopper positioned on the plant equal to 0.5 m³;
- 2) Impossibility of using fuels other than wood chips having a size of the size contained in the range between 1 - 3 cm. In the case of biomass whose size exceeds the value of 3 cm, the presence of the Imbert cone determines the presence of bridge structures preventing the establishment of a mass flow towards the reactor gasification area;
- 3) Inability to process biomass / residual materials with an ash content > 1%;
- 4) Impossibility of the gasification section to react to bridging -channeling and slagging phenomena ;

- 5) High variability of the electrical power produced by varying the chemical / physical characteristics of the incoming biomass (composition, size, degree of humidity);
- 6) Adjustment of the ignition advance of the engine by acting manually on the distributor;
- 7) Exhaust emission values for CO and NOx higher than the legal limits provided for by Legislative Decree 152/2006.

Thanks to the actions of RI and SS carried out by the partnership, the micro-cogeneration system is able to:

- 1) Have an autonomy in continuous operation of 4 days thanks to the design of a storage system whose volume is approximately 12 m³. The storage system was accompanied by an appropriate biomass / residual material transport system from the storage hopper to the reactor capable of handling not only wood chips but also biofuels suitably subjected to a pre-treatment process such as briquetting ;

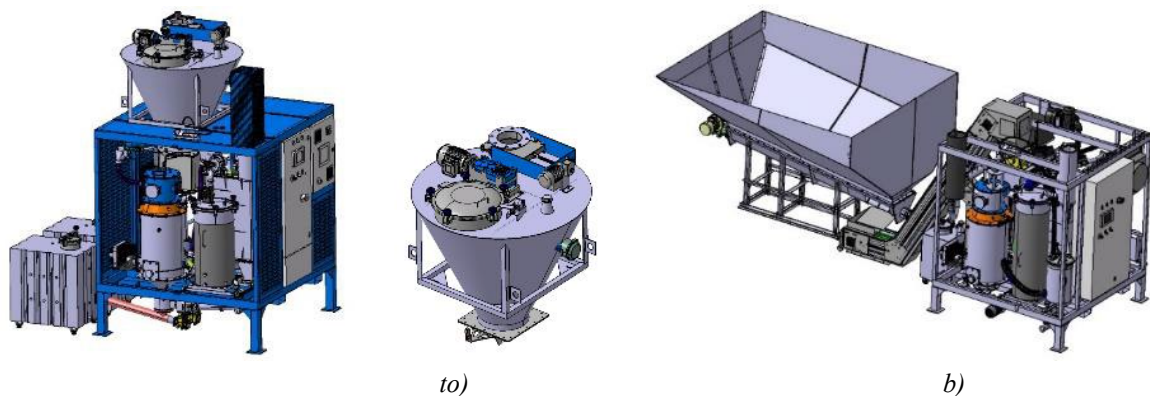


Figure 1. Overall view of the hopper - feeding system: a) "baseline" configuration, b) "omnivorous" configuration.

- 2) Processing biomass with a size of even more than 3 cm thanks to the design of an innovative gasifier characterized by a cylindrical-shaped reaction core. This reactor also allows the use of briquettes obtained following an appropriate pre-treatment process;
- 3) Processing biomass / residual materials with an ash content > 5%. Thanks to the design of an internal mechanical stirring system activated by an appropriate control logic based on the detection of the pressure difference between the combustion and gasification zone of the reactor, the reactor allows to destroy in the bud both the agglomerates produced by the fusion of the ashes (slagging) that the onset of bridging-channeling phenomena produced by the interaction of the biomass inside the reaction section;

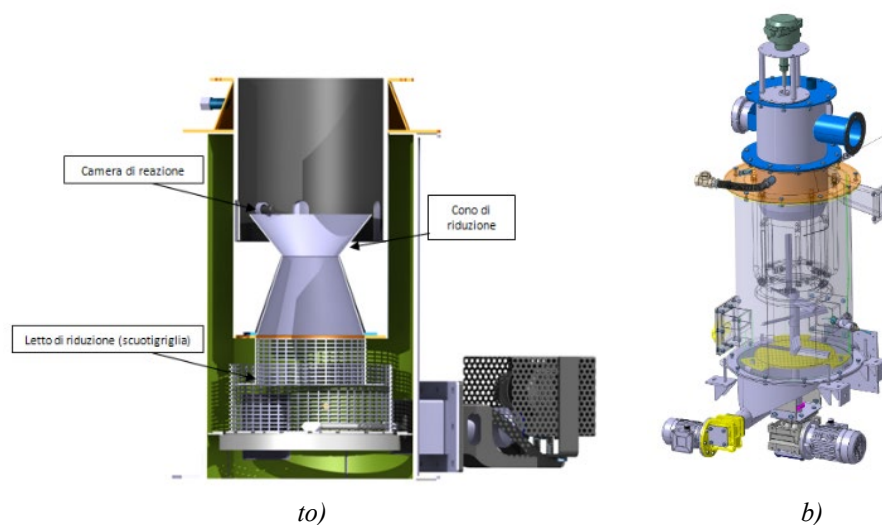


Figure 2. Gasifier overall view: a) "baseline" configuration, b) "omnivorous" configuration.

- 4) Produce a more regular electrical power also using biomass / residual materials qualified by very variable chemical / physical characteristics (composition, size, degree of humidity). This was possible thanks to the use and optimization of the 4.3-liter reciprocating internal combustion engine in replacement of the 3-liter engine provided in the “baseline” configuration;

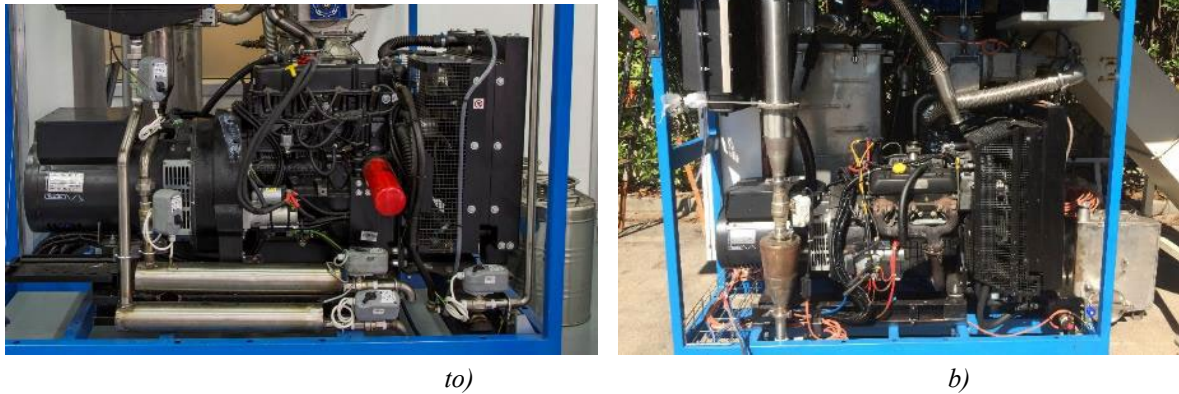
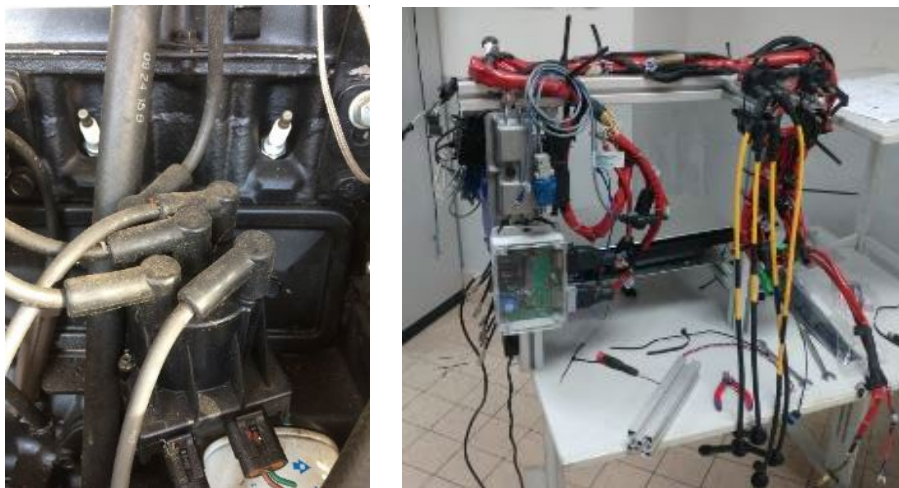


Figure 3. Engine overview: a) "baseline" configuration, b) "omnivorous" configuration.

- 5) Adjust the ignition advance of the engine acting via software through the use of an innovative engine *control unit* capable of setting both the ignition advance and appropriately managing the electrical energy supplied to the spark plugs for the generation of sparks. The system is an element of great innovation as regards both the management of the ignition advance in engines powered by syngas, and the monitoring of fouling phenomena in correspondence with the spark plug electrodes, with the possibility of carrying out predictive maintenance in accordance with variation of the pressure cycle inside the cylinder connected to the sediments produced by the syngas during combustion;



a) b)

Figure 4. Spark plug ignition system: a) distributor, b) Engine Control Unit.

- 6) Reduce the emission values for CO and NOx compared to the “baseline” configuration by using both suitable catalysts at the exhaust and adequate logics for adjusting the ignition advance.



Figure 5. Oxidizing catalysts (one for each bank consisting of 3 cylinders) installed on the 4.3-liter PSI GM engine of the plant in the "omnivorous" configuration.

As regards the optimization of the cleaning system of the plant, due to problems related to the safe operation of the high temperature filtration system, it was not possible to test the technology. Therefore, it was decided to turn to other syngas cleaning configurations such as bag filters. Optimization activities are in progress at CMD SpA

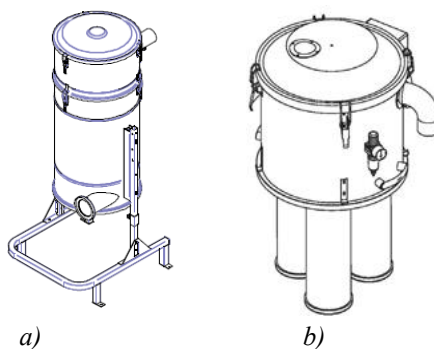


Figure 6. a) Drawing of the bag filter used, b) detail of the bags inside.



a) b) c)

Figure 7. a) "Baseline" configuration plant, b) render "omnivorous" configuration plant, c) "omnivorous" configuration plant installation at the ecological island of the Municipality of Mugnano (NA).

DIPROVEL project

The activities carried out to date have concerned the following realization objectives.

For OR 1 Requirements & constraints:

- Benchmark definition, Aircraft Integration Requirements & Constraints
- Performance requirements
- Airworthiness constraints identification

For OR 2 - Baseline Hybrid System Design:

- CMD engine modifications 22
- electric machine design
- Power converter project, power management unit and control system

For OR 3- Realization of the hybrid baseline system and modification of the test room:

- HW: modified heat engine CMD 22
- HW: electric car
- power converter, power management unit and control system
- Storage system
- HW: modified test rooms

Specifically, the activities concerned the following topics.

REQUIREMENTS AND CONSTRAINTS

This activity is a framework for the whole project in order to accurately fix the specifications and constraints of the system to be implemented.

BASELINE HYBRID SYSTEM DESIGN

Its purpose is to carry out a first important design work to obtain a hybrid baseline system, starting from what is available to the partners and / or what is commercially available.

REALIZATION OF THE BASELINE HYBRID SYSTEM & MODIFICATION OF THE TEST ROOM

In this package the system integration is carried out using / adapting what is available from the project partners (see heat engine) and what is commercially available. The test room is modified to carry out testing on the hybrid system.

BASELINE HYBRID SYSTEM TESTING IN THE TEST ROOM

This work package is about conducting tests on the hybrid baseline system

MODELING & ANALYSIS

This work package concerned the development of forecasting models. The goal is to create a digital twin of the hybrid system to predict and analyze the performance of the propulsion system assigned a reference mission.

Below are the main outputs produced so far.

Figure 1 shows the assembly thus designed, consisting of a CMD22 4-cylinder boxer 4T thermal engine with controlled ignition, free wheel of the GL_35 series, EMRAX electric motor with permanent magnets with axial flow, tubular frame supporting the shaft line.

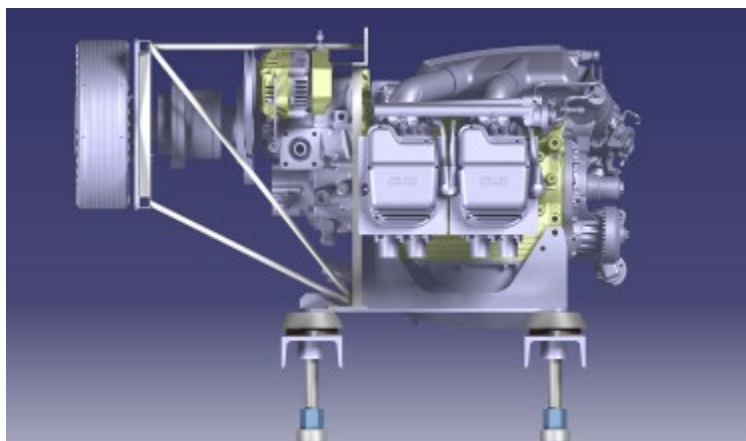


Figura 1

Figure 3 shows the sections of the axis line of the hybrid engine.

The mechanical components designed are:

1. the clutch shaft freewheel;
2. coupling flange between free wheel and FSI Flanged shaft with inner splines .

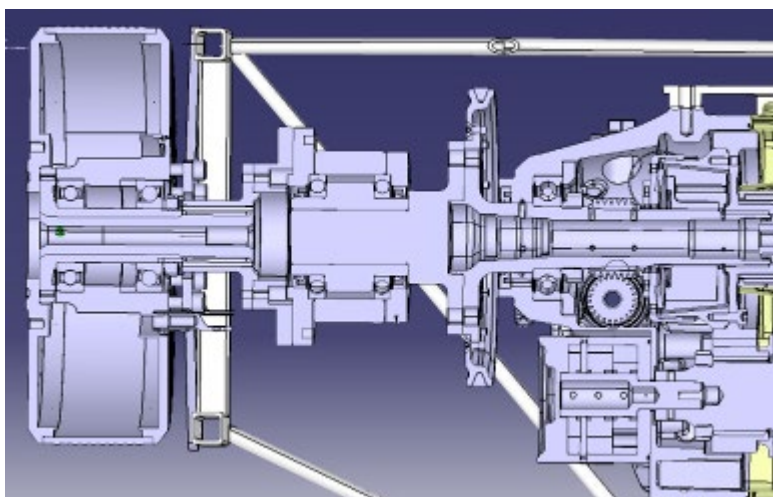


Figure 2: Section of mechanical coupling CMD22 and EMRAX 268 LV.

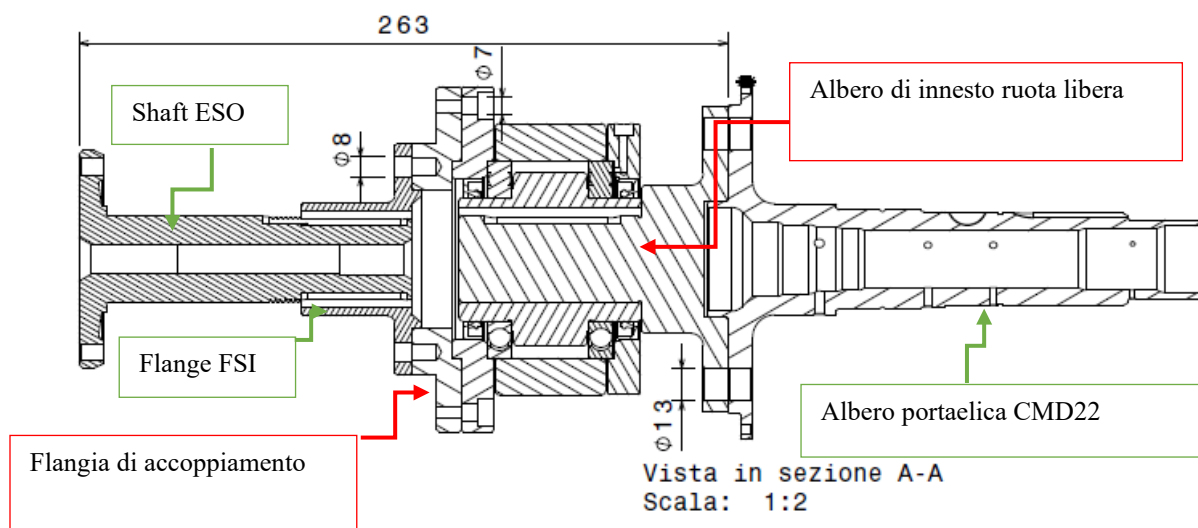


Figure 3.Draft 2D centerline

GREENFARM project

The Company in order to produce specific and significant optimizations with respect to the final plant configuration obtained from the PROMETEO project, as regards the transformation of the micro-cogenerator (mCHP) into a hybrid system integrated with photovoltaic panels (PV) and electrical and thermal storage systems, operating in off- grid mode (stand-alone), it has defined the best possible layout by dimensioning only the mCHP part (electricity production subsystem) and the related thermal storage (storage subsystem), as required by the Development Plan.

The following activities are detailed, some of which are still in progress, carried out within the OR.3:

- sizing of all mechanical components susceptible to integration and chosen to be part of the hybrid energy system :
 - a) improvement of the construction design of the reactor, necessary to mitigate the problem related to the phenomenon of ash slagging ;
 - b) improvement of the entire cleaning system using an innovative catalytic system capable of increasing the calorific value of the syngas starting from vegetal biomass / contaminated biomass / residual materials also coming from the agri-food sector and the like, different from virgin wood;
 - c) definition of the dimensions available on the container, necessary to accommodate both the PV and the relative internal dimensions functional to introduce the storage batteries. With regard to this last point, a study was carried out aimed at identifying the temperature range inside the container, necessary to define the proper functioning of the batteries, based on the temperature range generated by the system components;
 - d) sizing of the heat exchangers responsible for the thermal recovery of the mCHP and definition of the accumulation capacity of the thermal storage , also on the basis of the daily load curves that can be correlated to the external temperature values and to the request of the greenhouse ;
- “ad hoc” design of an innovative catalytic system with a ceramic matrix impregnated with nickel capable of increasing the calorific value of the syngas;
- design of a container consisting of sound-absorbing panels capable of reducing acoustic emissions to values <60 dB at 7m;
- sizing of all electrical components susceptible to integration and chosen to be part of the hybrid energy system :
 - a) study of the battery capacity necessary for starting the mCHP system in stand-alone configuration.

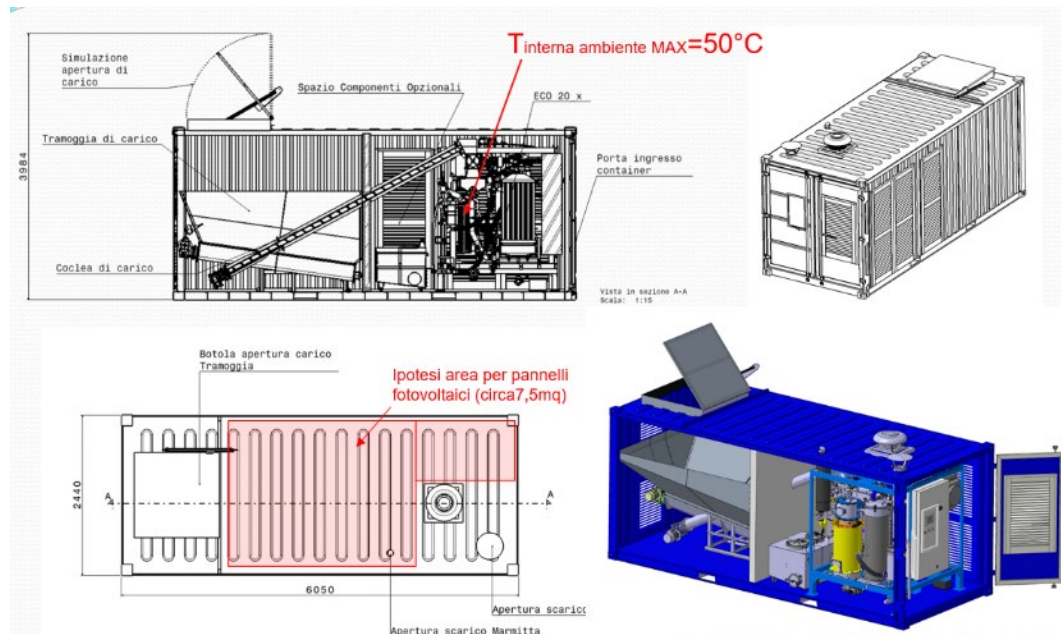


Figure 1 - System as a whole

CMD project 18

The research activities of the project called CMD18 continued also in 2021, aimed at the study, design and prototyping of a positive ignition and electronic injection engine for light and general aviation.

The activities carried out allowed the first technological demonstrator to be engineered in the test room according to aeronautical criteria.



Figure 1 - The CMD18 prototype



SECURITY OPERATIONS CENTER (SOC)

Since the introduction of Security Operations Centers (SOCs), their importance has grown gradually, but significantly, especially in recent years. This is mainly due to the exponential increase in even serious cyber attacks, the fundamental need to prevent them and the consequent adoption of centralized security operations in companies.

The CMD is fully aware that security and privacy play a fundamental role in the digital transformation of business processes. The success of digital transformation can only be guaranteed if the security aspects are integrated from the early design stages and subsequently throughout the development cycle.

A model known as "secure by design" is applied to all business processes but in particular to the projects of the IT department and the Automation department of the CMD. The solution is designed in such a way as to take into consideration any critical issues related to security.

For CMD it is essential to minimize the risks for its customers, for their data and for their reputation in this phase of digital transformation.

The three pillars that distinguish CMD's security strategy are **prevention**, **detection** and **response**.

To ensure effective prevention, detection, evaluation and ability to respond to attacks, a SOC (Security Operation Center) has been designed, developed and implemented in CMD.

The SOC CMD is made up of CMD staff and trusted national and international partners.

The SOC is tasked with identifying incidents and intrusions by collecting logs and events from different systems and applications, identifying and detecting anomalies, and generating alerts.

Awareness and training of employees

The training course aims to improve awareness of the IT risks that can be encountered on a daily basis and has the aim of transmitting the necessary knowledge to the participants to understand IT risks and guarantee a greater level of prevention and protection of the IT resources of our company.

- Data and information protection
- Security of e-mail boxes
- Web browsing safety
- Protection from viruses, malware, ransomware, etc.
- Conscious management of passwords and authentication logins; credit card fraud and online transactions
- Basic knowledge of cryptography
- Security of mobile devices.

This training course testifies to the commitment to the personal growth of its resources and to make innovative learning tools available.

The CMD-LMS Web Academy platform is a fully web-based Training Academy, which allows all CMD resources to enjoy personalized multimedia content, best practices or experiential pills.

In CMD all resources will be able to collaborate and share their knowledge by cooperating through this centralized environment, which represents a new method of effective, but at the same time informal, learning.

AUTOMATION DIVISION

CMD with the Automation department, developed within the Machining BU , 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 their place within CMD-AUTOMATION, a global project that has involved all the departments of the Machining BU across the board .

The initiative has the objective of internally developing products and services aimed at supporting the Machining BU in technological advancement and at achieving a competitive advantage for the CMD that differentiates it from its competitors.

Among the technologies on which CMD has focused its attention are:

- IIOT;
- artificial intelligence;
- augmented reality;
- collaborative robotics;
- advanced automation;
- Cybersecurity on OT / IT networks ;
- big data

To give an organic and planning approach to the initiative, four macro-areas of reference and development have been identified. Each area has seen the grouping of projects and activities aimed at the same purpose:

Smart Machines: an area where efforts have been concentrated to achieve the interconnection and digitization of systems. Related projects: Connected Machines, HMI 4.0, AGV and Artificial Intelligence.

Smart Services: area that saw the creation of services to be proposed to the Machining BU . Related projects: Connected Field Force, Smart Maintenance Suite, Cybersecurity

Smart Factory : area dedicated to the enhancement and innovation of CMD's physical infrastructure. Projects related : Smart Manufacturing, Digital Working, Virtual Commissioning (Robot), Smart Documentation.

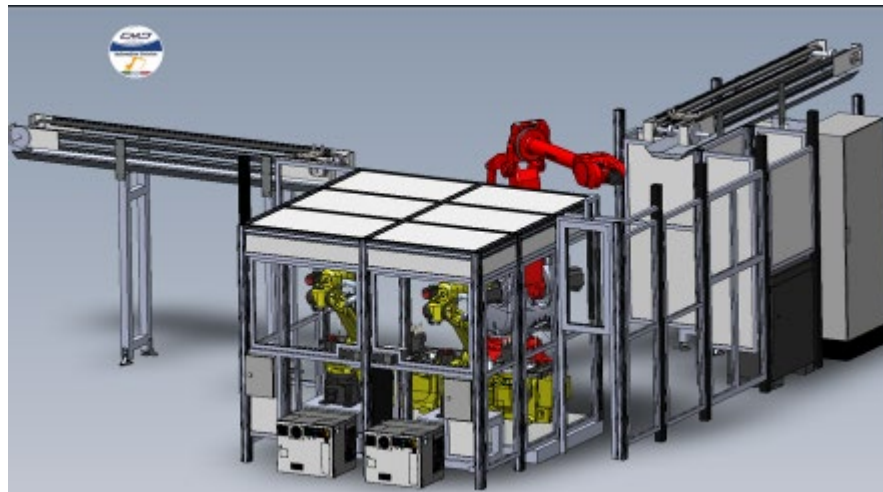
Smart Organization: area dedicated to the development of digital solutions for the improvement of communication and the growth of skills of CMD employees. Related projects: Intranet, IT Service Desk, Quality 4.0, E-learning ESCA +, Business Intelligence Dashboards.

From 2020 onwards: CMD Automation has pushed itself to explore the frontier of Virtual commissioning of cooperating robots. software is the invisible part of any project, but it is often the most important and underestimated part.

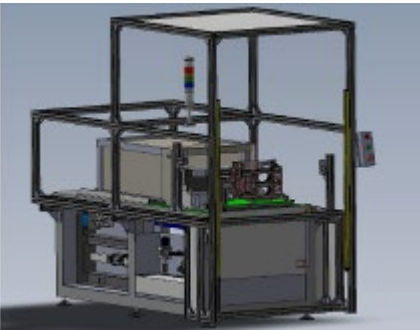


The virtual commissioning of robotic systems helps to reduce commissioning time and costs by 40-50%, allowing for better quality control processes.

- Test of the whole process including the software.
- Test of interfaces and communication between FANUC / COAMU robots and PLCs, machines, manual stations and support systems.
- Test of the interface and communication between cooperating robots
- -scale virtual commissioning of robotic cells and robots in our production departments .
- Training of operators to work in robotic lines and cells.
- Safe optimization and improvement of systems in production with offline modifications of plants and controls in an emulation environment.

The 20085 engine head deburring island project is the best example of the use of Virtual Commissioning , the island configured with 3 cooperating robots has been included in our line of “Bruno Negri” engine heads interfaced with as many robots.


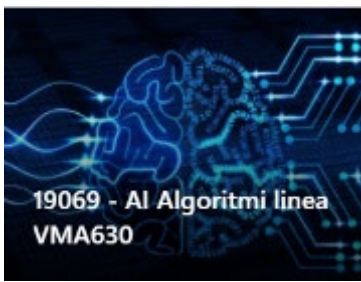



- Projects completed in 2021

21099 Semi-base laser marking	19082 - Expansion of VMA630 Line - (also underway in 2022)	21101 PokaYoke with AI Artificial Intelligence - vision system
		
<p>In order to guarantee traceability and traceability of the processed pieces, a machine has been created that integrates a laser marking system.</p> <p>Ecological process: The permanent marking respects the environment, remains intact throughout the life of the product and does not require any solvent, label, ink or other adhesive. No consumables, low maintenance and low energy consumption are all ways to help preserve the environment.</p>	<p>On the VMA630 line where the cylinder heads are produced, a line expansion activity is underway which involves the insertion of new machining centers and automated assembly stations</p>	<p>Poka system made Yoke to check the correct assembly of components on a particular cast iron. The system uses vision and artificial intelligence to detect the presence and correct assembly of components on a machined piece carried out by line operators.</p>

The following projects have been planned for 2022

AGV - Automated Guided Vehicle	Artificial intelligence	Cybersecurity - on IT / OT networks
--------------------------------	-------------------------	-------------------------------------

 <p>17021 - AGV Active Shuttle</p>	 <p>19069 - AI Algoritmi linea VMA630</p>	 <p>20092 - Cybersecurity</p>
<p>The introduction of autonomous mobile robots will serve to significantly improve productivity in production and logistics activities in CMD. Errors will be eliminated and material traceability will be improved, as well as allowing operators to focus on more complex tasks.</p>	<p>Cyber Physical Systems (CPS), new AI algorithms will be inserted that will make real-time communication possible between the different physical parts of our VMA630 production line. AI will be able to make the system itself autonomous and capable of making the best possible decision to manage production.</p>	<p>" Threat intelligence". Experimentation of big data analytics tools and methods for the development of innovative Threat intelligence services for the security of the IT / OT network</p>

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

In CMD, the development of innovation is widespread, that is, deriving from individual ideas, from collaborative innovation and from the scouting of enabling technologies.

Relations with subsidiaries, associates, parent companies and companies subject to the control of the parent companies

It should be noted that relations with the companies referred to in point 2, third paragraph of art. 2428 of the civil code . They refer to:

- the reversal of costs incurred during the financial years by the Company on behalf of Loncin Motor Co. Ltd
- to the cost of the personnel seconded by Loncin Motor Co. Ltd to the Company;
- to the Shareholders 'loan received during the 2020 financial year, paid in proportion to the percentages of participation in the share capital, in response to the shareholder loan proposal made by the Administrative Body of the shareholders' meeting of 11/4/2019, in order to support investments in the Program.

Receivables from affiliates registered in current assets

Description	Financial year 2021	Exercise 2020	Absolute variation
towards parent companies	473.744	1,373,744	900,000-
<i>Total</i>	<i>473.744</i>	<i>1,373,744</i>	<i>900,000-</i>

Payables and loans payable to affiliates

Description	Financial year 2021	Exercise 2020	Absolute variation
payables to parent companies	390,000	390,000	-

Description	Financial year 2021	Exercise 2020	Absolute variation
payables to shareholders for loans	3,750,000	3,750,000	-
<i>Total</i>	<i>4,140.0000</i>	<i>4,140.0000</i>	<i>-</i>

Own actions

Pursuant to art. 2435-bis and 2428 of the civil code , it should be noted that the company, at the closing date of the financial year, did not own any treasury shares.

Shares / quotas of the parent company

Pursuant to art. 2435-bis and art. 2428, paragraph 3 n. 3 and n. 4 of the civil code , it is specified that the company, during the year, did not own any shares or quotas in the parent company.

Foreseeable evolution of management

Pursuant to and for the purposes of the provisions of art. 2428, paragraph 3, point 6 of the civil code represents the foreseeable evolution of the economic and financial management for the next few years.

Management estimates foresee an 11% increase in turnover on an annual basis for 2022 as a result of the consolidation of orders. Despite the rise in the prices of raw materials and semi-finished products, the first margin is estimated to increase thanks to the development of volumes with higher margins.

For 2023, the consolidation trend in turnover is estimated to be constant: on a backlog basis at the end of February 2022, the backlog / turnover hedge ratio is equal to 80%; to this is added a job order portfolio which guarantees total coverage of the estimates. The marginality forecasts in 2023 are growing, thanks to the contribution of the Avio BU with the CMD22 and GF56 engines, characterized by a high margin (approx. 60%) and for which the Company is incurring significant R&D costs.

On the financial side, the gross financial exposure is expected to be maintained, which will see the medium- and long-term debt structure confirmed, also against the refinancing of the Amundi bond (4.4 million).

Investments will continue in 2022 and 2023 (7 million in the two-year period) whose financing, pending collection of the recognized contributions of 10.3 million (Invitalia program), will continue to be advanced through operational cash flows (CFON 2022 expected at least equal to 9.5 million), bank and bond debt. The NFP / EBITDA sustainability ratio, while recording a further improvement due to the recovery of margins, will reach pre -pandemic levels at the end of 2023.

With reference to the energy transition, CMD is adequately positioned to take advantage of the growth opportunities offered by the current trend in the main outlet markets. Unlike most of the Italian SMEs active in the engineering sector, in fact, CMD is among the few companies to have already developed concrete products and solutions in terms of environmental sustainability, including small-scale plants for the production of energy from renewable sources (ECO 20) and hybrid engine systems (Blue Hybrid System) intended for the marine market, with the further possibility of creating and marketing hybrid engines in the short term also for the special vehicle market and in the medium and long term in the aeronautical sector.

Even on the front of more traditional markets, such as the automotive and agricultural and industrial machinery, if on the one hand the transition towards propulsion systems with a lower environmental impact will be irreversible, albeit more slowly in the end markets of the CMD, on the other hand it is noted that endothermic engines will continue to represent the reference technology for agricultural and industrial machinery, due to a series of application and infrastructural limits that electric motors still present today.

Use of financial instruments relevant for evaluating the equity and financial situation and the economic result for the year

The objectives and policies of the company in terms of financial risk management, including the hedging policy for each main category of transactions envisaged, can be summarized as follows.

During the 2020 financial year, the Company set aside a reserve for hedging operations of the expected cash flows for the signing of two derivative contracts entered into with Banco BPM and Intesa Sanpaolo SpA, again to hedge the interest risk associated with the debt in pool at 50% with Intesa San Paolo and Banco BPM themselves, as better indicated in the Explanatory Notes to the 2020 financial statements. The signing of these new derivative contracts was carried out on 10/02/2020 with both institutions, with a value equal to the notional 1,200 thousand euros each in line with the underlying pooled transaction with a total value of 2,400 thousand euros with maturity 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 (pursuant to the indications provided by OIC 32 - Derivative financial instruments). Since the stipulation was concluded on 10/02/2020, the fair value of the derivative instrument was recognized, as per the accounting principles indicated above, in a specific equity reserve (in the item AVII "Reserve for hedging of expected cash flows ") whose equity counterpart will be a provision for risks in B 3 " financial derivative liabilities " of the same amount, since the mark to market at the end of the 2021 financial year has a negative value of - € 5.5 thousand.

Secondary offices

In compliance with the provisions of art. 2428 of the Italian Civil Code, the company's secondary operating offices are shown below:

Street address	Location
VIA PACINOTTI 2	SAN NICOLA LA STRADA
VIA BARBERINI 95	ROME
EUROPE COURSE N.13	MILAN
ZI VALLEY OF VITALBA N.3	ATELLA
NUC. INDUSTRIAL CARTOFIC LOCATION	ATELLA

Conclusions

Dear Shareholders, in the light of the considerations made in the previous points and of what is stated in the explanatory note, we invite you:

- to approve the financial statements for the year ended on 31/12/2021 together with the accompanying explanatory notes and this Report;
- to allocate the profit for the year in accordance with the proposal formulated in the explanatory notes, as follows:

€ 12,103 to the legal reserve;
229,965 euros to the extraordinary reserve.

In relation to the obligation pursuant to art. 60, paragraph 7-ter of Legislative Decree 104/2020, the Administrative Body, as illustrated in the explanatory note, proposes to set up the unavailable reserve equal to 3,293,112 euros with the use of the extraordinary reserve.

San Nicola La Strada (CE), 13/04/2022

For the Board of Directors

Jingyu Huang, President

Mariano Negri, Director and Chief Executive Officer

Giorgio Negri, Director

Chen Jinwen, Councilor

Sun Xin, Councilor