

**Directors' report on operations of
4Science S.p.A.
For the fiscal year as of
December 31, 2022**

Social Bodies

Board of Directors

(Until the approval of the December 31, 2024 Financial Statements)

<i>Name and last name</i>	<i>Position</i>
Giovanni Andrea Farina	President
Cesare Valenti	Chief Executive Officer
Sebastiano Missineo	Director
Massimo Grosso	Director
Maurizio Di Costanzo	Director

Board of Statutory Auditors

(Until the approval of the December 31, 2024 Financial Statements)

<i>Name and last name</i>	<i>Position</i>
Andrea Magnani	President
Silvia Caporali	Member
Stefano Sgarzani	Member

Auditing Company

HLB Analisi S.p.A.

Report on operations as of December 31, 2022

In the current Report on operations as of December 31, 2022, the analysis of the economic performance relates to the situation from January 1, 2022 to December 31, 2022 compared with that in the same period of 2021. The net financial position and financial data refer to December 31, 2022 compared with the balances as of December 31, 2021.

Performance of the Company and the reference market

The current financial statements were drafted on a going concern basis; the accounting principles and the valuation criteria referred to for the drafting of the financial statements as of December 31, 2022, are the national accounting principles and starting with the current fiscal period 4Science S.p.A. will draft the financial statements in an extended manner without resorting to the condensed form according to article 2435 bis of the Civil Code.

In the context of the current economic uncertainty described below, please note that the forecasts used to draft the financial statements have their component of risk and uncertainty. It cannot be ruled out, therefore, that, in the near future, the results achieved could differ from those forecast, requiring revisions that today cannot be either estimated or forecast.

In 2022, the Company strengthened its market positioning on the so-called Big Data, focusing on the segments of Data Management Systems and Digital Repositories specialized for the sectors of scientific research and cultural heritage.

The Company's legal headquarters are in Milan, in Viale A. Papa 30. The administrative headquarters are in Ravenna, in Via L. Braille 15. There are secondary headquarters in Rome and Naples.

Following is the reclassified condensed income statement as of December 31, 2022 compared with that of the previous fiscal period:

<i>Euro</i>		
	31/12/22	31/12/21
Revenue	2,242,087	1,823,491
Other operating revenue	846,869	618,295
Total Revenue	3,088,956	2,441,786
Direct cost of sales	(354,992)	(184,640)
Gross Profit	2,733,964	2,257,146
<i>GP%</i>	88.5%	92.4%
Overheads		
Costs for services	(302,182)	(208,175)
Infra-group management services	(149,000)	(90,000)
Personnel costs	(1,533,705)	(1,106,366)
Other operating expenses	(39,483)	(125,368)
Total Overheads	(2,024,370)	(1,529,909)
Ebitda	709,594	727,237
<i>Ebitda%</i>	23.1%	29.8%
Amortization	(263,654)	(211,066)
Ebit	445,940	516,171
Financial proceeds and charges	(130,531)	(35,895)
Profit before taxes	315,409	480,276
Taxes	(83,334)	(152,165)
Profit for the period	232,075	328,111

In the fiscal year that ended December 31, 2022, total revenue grew by 26.5%, with revenue for products and services up 23% compared with 2021, while general costs increased 32.3%. EBITDA fell slightly by approximately Euro 18 thousand, EBIT was down by Euro 70 thousand, and the result for the period was Euro 96 thousand lower.

The increase in costs mainly relates to the investments underway and, in particular, to the higher personnel costs (Euro +427 thousand) that increased from 20 units as of December 31, 2021, to 27 as of December 31, 2022. This reflects the hiring of qualified personnel with an increase of 7 units in sales, project managers, software developers, service desks, systems engineers, and back-office, as envisaged in the company's investment plan. The hiring and training of new resources so conspicuously inevitably led to lower internal efficiency in delivering revenue as senior personnel was busy training and transferring know-how to the new entrants. This phase of lower efficiency and production capacity is expected to improve from the 2023 fiscal year.

Also, at least during the first half of the year, the impact of Covid weighed on the market with significant slow-downs in the decision-making processes on investments, especially in the Public Administration where the company operates.

Even though we don't have clients or suppliers in Ukraine, the general climate of uncertainty due to the war underway is not helping, just like the impact of the management of the NRRP had on the Public Administration. On the one hand, the NRRP set the foundations for significant investments in digital innovation in the Public Administration and the cultural heritage sector (Euro 500 million euros in digitalizing the artistic heritage over the next two-to-three years). On the other, the very stringent timing for writing and presenting projects to access the NRRP funds blocked the administrative staff of the public administration for months, slowing and delaying other decisions on current or already planned investments.

Despite these objective difficulties, the value of orders received in 2022 reached over Euro 2.342 million, up 58.4% from Euro 1.478 million as of December 31, 2021.

On July 5, 2022, the 4Science meeting of shareholders deliberated the transformation of the company from a limited liability company (S.r.l.) into a joint stock company (S.p.A.) and, at the same time, approved a free capital increase to Euro 50,000 with the allocation of 40,000 euros forming part of the Future capital increase reserve.

This transformation was functional towards subsequent ordinary and extraordinary transactions and on the company's equity.

Also, on July 5, 2022, 4Science deposited in the State of Delaware the incorporation certificate of 4Science USA Corporation, 100% controlled by 4Science, as established by the ordinary meeting of the sole shareholder on June 30, 2022.

On August 8, 2022, professional and institutional investors completed the underwriting to a capital increase that raised Euro 2.8 million. The resources go towards financing the 2023-2026 industrial plan, the Company's working capital needs, and growth through internal and external means.

Following the above equity transactions, the parent company Itway now owns 71.43% of the share capital of 4Science.

On December 28, 2022, the company was admitted to trading on the Vienna Stock Exchange in the MTF Direct Market segment organized and managed by Wiener Borse AG. The first day of trading was December 29, 2022. The market capitalization was Euro 28 million, corresponding to a price of Euro 4.0 per share.

In the listing transaction, Fomarte advised 4Science as a Financial Adviser, Sponsor of the transaction, and Co-investor.

The listed company status will allow the company to increase its international visibility and, in particular, to strengthen its market positioning in Central Europe, where it already counts important existing clients. It will also pave the way for the company to talk to Institutional Investors in Central and Northern Europe, and not only to Italian ones, like in the case of other small-sized Italian companies listed in Vienna. It will allow funding part of the possible acquisitions with listed shares. The listing also gives solidity and value to existing and future

stock options, allowing higher retention of the existing managers and the power to attract new talent.

Performance of the sector

4Science is on the market as a reference point in the Research & Data Management Systems sector, which is part of the broader Big Data market, offering its clients Digital Repositories solutions to manage and preserve the digital heritage, whether related to academia or the dissemination of scientific research both in terms of cultural assets and archives, the so-called Digital Libraries. Thanks to these solutions, the Value Proposition of the 4Science solutions is always tailored to the increase in prestige, the impact, and the visibility of the cultural and research heritage from which the institutions that adopt the solutions benefit.

Even if based on the same open-source Dspace software platform, already broadly adopted around the world for which 4Science adopted a leadership role being a primary contributor, thanks to the significant investments in terms of software development that 4Science carried out, we can talk about to major market segments that we target: the CRIS (Current Research Information Systems) market comprising Universities and higher education institutions, international organizations, scientific and research hospitals (IRCCS) and GLAM (Galleries Libraries Archive Museums) solutions comprising Libraries, Conservatories, Archives, and Museums.

To date, CRIS represents the majority of the turnover of 4Science (approximately 72%), thanks to the contribution and confidence from the international market that already boasts constant development and a very productive funnel. The foreign market will be further developed following the recent opening of a US headquarters, after the establishment of 4Science USA Corporation, with the legal headquarter in Delaware and the operational one in Kansas City, Missouri.

In the latest year, 4Science added new clients to the numerous and prestigious list of ones, including the University of Sant Gallen (Switzerland), La Sapienza University of Rome, and through an over Euro 1 million public tender, the Lausanne Federal Polytechnic-EPFL (Switzerland), while strengthening the corporate positioning thanks to the University of Kassel (Germany) and new projects with the University of Bern (Switzerland) and the famous Princeton Institute for Advanced Studies (New Jersey, US) where Albert Einstein was one of the first professors until 1955.

The push towards the US market also materialized through a new collaboration with the California Digital Library that paved the way for a broader project to be launched in 2023. Also, in 2022, the company completed the delivery of the PerúCRIS project with Concytec, the Peruvian state body of the National Science, Technology, and Technological Innovation System.

In the GLAM market, we acquired new clients, including the Vanvitelli University of Campania, the universities of Macerata, Foggia, and Salerno, which all have prestigious and ancient libraries

that thus have been able to value the management, the conservation, and the dematerialized exploration of their artistic assets.

As already stated, the GLAM area is the one that felt most of the delays caused by the NRRP, but we are deeply convinced that it will be the one that will benefit the most in the coming months.

Personnel

The average number of employees of the 4Science during the period was 26 units (17 as of December 31, 2021), while the punctual number at the end of the fiscal period was of 27 units (20 as of December 31, 2021). The increase is due to the hiring of technical staff as described above.

Following is a breakdown by professional category, compared with figures from the previous fiscal year.

	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	<i>Avg.</i>	<i>Avg.</i>	<i>Punctual</i>	<i>Punctual</i>
Managers	3	2	3	2
Mid-managers	1	2	1	2
Employees	22	13	23	16
Total	26	17	27	20

Net Financial Position

Following is the detailed Net Financial Position:

	31/12/22	31/12/21
Cash on hand	1,435,462	181,731
Financial receivables	1,806,603	-
Current financial liabilities	(262,494)	-
Current net financial position	2,979,571	181,731
Non-current financial liabilities	(974,162)	-
Total net financial position	2,005,409	181,731

The Net financial position of 4Science as of December 31, 2022, is detailed in the table above and reflects the underwriting of the capital increase by professional investors for Euro 2.8 million and financing that Banca Progetto S.p.A. granted for Euro 1.5 million to be refunded in five years, assisted by a guarantee from Medio Credito Centrale in favour of innovative SMEs. This funding envisages two tranches, the first of which for Euro 1.5 million was granted on May 25, 2022,

while the second in case of eventual acquisitions of companies in the sector. The total financial receivables of Euro 1.807 million reflect the amount credited to 4Science in the correspondent current account with the parent company Itway S.p.A. The repayment of the funding to Itway S.p.A. will be in a manner that is compatible with the industrial plan of 4Science and, in any case, within three years. This repayment could be earlier in case of the successful completion of eventual extraordinary and/or non-recurring transactions by Itway.

Research and Development

During 2022, the investments that began in previous fiscal periods continued with an increase of Euro 716 in assets under construction due to development activities carried out in the year (Euro 335 thousand as of December 31, 2021). The products that 4Science develops are based on an open-source technology called DSpace (an open-source solution previously promoted by Duraspace that is now Lyrasis.org) and tailored for 4Science's reference markets: Digital Libraries for cultural heritage and Digital Repositories for scientific research. The work done in previous fiscal years and the implementations deployed during the year allow the company to have a portfolio comprising: DSpace, DSpace-CRIS, and DSpace-GLAM in addition to some add-ons including Image Viewer, Audio/Video Streaming, OCR module, and Document Viewer. 4Science releases the above products to customers in open-source mode. The company does not own the DSpace platform, whose intellectual property belongs to Lyrasis/Duraspace. However, it can develop and distribute, in open-source mode, the verticalization of these solutions while offering the same time maintenance and support services. The company develops the previously mentioned add-ons and owns their intellectual property, distributing them in open-source mode, just like the DSpace platform.

Risk management

The Group's financial risks derive from the economic situation at a global level. The Company has no exposure to the Russian, Belarus, or Ukrainian markets and does not handle technologies and services coming from these markets. 4Science uses the Euro as a reference currency and for its purchasing and sales activities, while transactions in other currencies are not significant and, therefore, we see no potential currency risk.

The main financial assets of the Group are trade receivables and cash and cash equivalents that derive directly from operations and the financial transactions described above. Financial liabilities refer to the 60-month financing received by Banca Progetto and previously described in the net financial position. The interest rate applied to this funding is variable (Euribor + spread), so the company is exposed to risks for changes in interest rates just for this financing as it has no other financial liability booked in the financial statements.

Regarding risks of potential losses deriving from counterparties not fulfilling their obligations, please note that the Company does not have significant concentrations of credit risk and has implemented procedures and measures to assess the clientele and the possible recovery measures.

The Company is in a scale-up phase with significant intangible investments that have yet to be amortized, the recovery of which is correlated to the forecasts included in the industrial plan that the Board of Directors approved.

Subsequent events

There were no significant events following the end of the fiscal period.

Foreseeable evolution of operations

2023 started with a significant order portfolio, with solid growth prospects related mainly to the international market, especially the US. On the domestic front, the company hopes to overcome the previously described difficulties regarding the overall economic and social situation and the impact of the NRRP.

It is reasonable to assume that in the coming months, the situation will improve, allowing a more fluid dialogue with our counterparties in the Public Administration, be it universities, libraries, or research bodies.

The increase in orders secured in 2022, of over 58%, places us in a good position at the start of the new fiscal year.

We should see the positive effects of the new organizational structure, especially the increased efficiency of operations following the significant investments in the company's personnel starting from the second half of 2021 and that continued during 2022.

The company today represents one of the major service providers of the DSpace platform at a global level with a leading role in the US steering committee that defines its developments and future evolution; this leading role, along with the greater production capacity of our software factory, will allow us to grow both on the international and domestic market.

We expect that the direct presence in the US market will bear its fruits and, in any case, will generate a significant number of negotiations in a market that can certainly offer great opportunities.

Relations with companies of the same Group and with related parties

During 2022, 4Science S.p.A. had commercial and financial relationships with related parties. These relationships were part of normal management activity, regulated at market conditions that are established by contract by the parties in line with the standard procedures. Following is a breakdown:

Euro	Receivables	Payables	Costs	Revenue
4Science S.p.A. vs Itway S.p.A.	2,243,600	503,000	161,000	108,000
4Science S.p.A. vs 4Science USA Corporation	16,336	-	-	8,992
TOTAL	2,259,936	503,000	161,000	116,992

Itway S.p.A. directs and coordinates 4Science S.p.A. This activity consists in indicating the general strategic and operational direction of the Group, defining and adjusting the organizational Model and elaborating the general policies to manage human and financial resources.

Own shares and those of the parent company

The company's share capital is Euro 63,500, fully paid for Euro 61,000 and divided into No. 7 million shares without nominal value indication. The company does not own treasury shares or shares in the parent company and does not have financial instruments.

Proposed allocation of the result of the period

The company proposes the following allocation of the result recorded in the financial statements:

- Euro 11,623.90, or 5% of the 2022 profit, to the legal reserve
- Euro 220,854.10 to the voluntary reserve.

Milan, March 22, 2023

FOR THE BOARD OF DIRECTORS

The President
G.Andrea Farina



Explanatory notes to the financial statements as of December 31, 2022

General information on the Company

Personal Data

Name: 4Science S.p.A.

Headquarters: Milano Viale Achille Papa, 30

Share capital: Euro 63.500 versato Euro 61.000

VAT Code: 02451840397

Tax Code: 02451840397

Economic and Administrative Index No. MI-2100307

Legal Status: Joint stock company

Prevalent activity sector (ATECO): 62.02 Information consultancy

Company subject to management and coordination
activities by others

yes

Name of the company or body that exercises direction
and coordination:

Itway S.p.A.

Belonging to a group: sì

Name of the parent company: Itway S.p.A.

country of the parent company: ITALY

Budget layouts

Active Balance Sheet		31/12/2022	31/12/2021
A	Receivables from members for payments still due	0	0
B	FIXED ASSETS		
I	Intangible assets	2.078.873	1.358.806
	1) installation and expansion costs	109.557	685
	2) development costs	693.271	829.008
	4) licenses trademarks and similar rights	30.550	-
	6) Fixed assets in progress	1.245.495	529.113
II	Property, plant and equipment	26.434	9.205
	4) Other goods	26.434	9.205
III	Financial fixed assets	185.129	33.919
	1) Investments in:		
	(a) subsidiaries	151.210	-
	(d-a) Other	33.919	33.919
	Total fixed assets	2.290.436	1.401.930
C	CURRENT ASSETS		
I	Inventories	847.380	667.480
II	Credits	2.978.762	963.472
	1) Receivables from customers	640.984	441.295
	2) Receivables from subsidiaries	16.336	-
	4) Receivables from parent companies	2.243.600	516.997
	(5a) Tax claims	74.962	5.180
	(5b) Deferred tax	2.880	-
III	Financial assets that are not fixed assets	5.568	1.215
	6) Other	5.568	1.215
IV	Cash equivalents	1.435.462	181.730
	1) Bank and postal deposits	1.435.451	181.720
	3) Money and cash values	10	10
	Total current assets	5.267.171	1.813.897
D	Accruals and deferred income	45.155	54.625
	TOTAL ASSETS	7.602.762	3.270.452

Liabilities Balance Sheet		31/12/2022	31/12/2021
A	Equity:		
I	Social Capital	61.000,01	10.000
II	Share premium reserve	2.790.000	-
III	Revaluation reserves	-	-
IV	Legal reserve	2.153	2.153
In	Statutory reserve	-	-
WE	Other reservations, clearly indicated:		
	Voluntary Reserve	-	-
	Fusion surplus	200.163	200.163
	Capital increase payments	150.000	190.000
VIII	Retained earnings (losses)	686.631	358.520
IX	Profit (loss) for the year	232.075	328.111
	Total Shareholders' Equity	4.122.022	1.088.947
B	Provisions for liabilities and charges	-	-
C	Severance pay	250.641	213.274
D	Debts	3.038.585	1.713.431
	4) debts to banks	1.236.656	-
		<i>within 12 months</i>	-
		<i>over 12 months</i>	-
	7) Payables to suppliers	308.887	109.490
	11) Payables to parent company	503.000	760.916
	12) Tax debts	622.667	552.779
	13) Payables to pension funds	197.013	159.083
	14) Other debts	170.362	131.163
	Accruals and deferred income	191.514	254.800
	TOTAL LIABILITIES	7.602.762	3.270.452

Cash flow statement (indirect method)

<i>Euro</i>	31/12/22	31/12/21
Net Result	232.075	328.111
<i>Adjustments for items that have no effect on liquidity:</i>		
Depreciation and equipment	8.630	3.456
Depreciation and amortisation of intangible assets	255.024	207.611
Provision for bad debts	0	4.366
TFR provision	94.057	60.845
<i>Cash flow from operating activities before changes in working capital</i>	589.787	604.389
Employee benefit payments and fund payments	(56.691)	(22.756)
Change in trade receivables and other current assets	(283.570)	130.103
Change in trade receivables from parent	80.000	829.533
Change in inventories	(179.900)	(133.840)
Change in trade payables and other current liabilities	684.128	(61.818)
<i>Cash flow from operating activities generated (absorbed) by changes in CCN</i>	243.967	741.223
<i>Cash flow from operating activities (A)</i>	833.754	1.345.611
Investments in property, plant and equipment and intangible assets	(1.000.950)	(341.659)
(Investments)/Divestments in equity investments and financial assets	(151.210)	0
<i>Cash flow from investment activities (B)</i>	(1.152.160)	(341.659)
Initiation/(Repayments) of current financial liabilities	262.494	0
Initiation/(Repayments) of non-current financial liabilities	974.162	0
Change in financial receivables (payables) from parent companies	(2.465.519)	(922.741)
Share Capital Increase	2.801.000	0
<i>Cash flow from financing activities (C)</i>	1.572.137	(922.741)
<i>Increase/(decrease) cash and cash equivalents (A+B+C+D)</i>	1.253.731	81.212
Cash and cash equivalents at the beginning of the period	181.731	100.519
Cash and cash equivalents at the end of the period	1.435.462	181.731

Explanatory Notes – Introduction

The explanatory notes are an integral part of the financial statements to 31/12/2022.

The financial statements comply with the provisions of Article 2423 bis and subsequent of the Italian Civil Code and the national accounting principles, as published by the Italian Accounting Board. Therefore, they clearly and fairly represent the company's financial position and results of operations for the year.

The balance sheet and the income statement comply with Articles 2424 and 2425 of the Civil Code. The cash flow statement complies with Article 2425-ter.

The explanatory notes, drafted in compliance with Article 2427 of the Civil Code, provide all relevant information to interpret the financial statements.

Significant events during the fiscal period

On July 5, 2022, the 4Science meeting of shareholders deliberated to transform the company from a limited liability company (S.r.l.) into a joint stock company (S.p.A.) and, at the same time, approved a free capital increase to Euro 50,000 with the allocation of 40,000 euros forming part of the Future capital increase reserve.

This transformation was functional towards subsequent ordinary and extraordinary transactions and transactions regarding equity.

Also, on July 5, 2022, 4Science deposited in the State of Delaware the incorporation certificate of 4Science USA Corporation, 100% controlled by 4Science, as established by the ordinary meeting of the sole shareholder on June 30, 2022.

On August 8, 2022, professional and institutional investors completed the underwriting to a capital increase that raised Euro 2.8 million. The resources will go towards financing the 2023-2026 industrial plan, the company's working capital needs, and growth through internal and external means.

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Criteria

Drafting of the financial statements

The information in the current document is presented in the order in which they are indicated in the balance sheet and the income statement.

Regarding what was stated in the introduction of these explanatory notes, it is hereby certified that, according to art. 2423, paragraph 3 of the Civil Code, if the information required by specific legal provisions is not sufficient to give a truthful and correct representation of the business situation, additional information deemed necessary for this purpose is provided.

The euro is the currency of the financial statements and the explanatory notes.

Principles used in drafting the financial statements

The valuation of the balance sheet items took place in compliance with the principle of prudence, relevance and ongoing-concern. According to Article 2423-bis, paragraph 1, point 1-bis of the Civil Code, the recognition and presentation of items took place considering the substance of the transaction or the contract.

In drafting the financial statements, income and costs were booked on an accrual basis regardless of the actual date when the actual payments occurred. Only profits realized at the date of the closing of the fiscal year were indicated. Risks and losses were considered even if they became known after its close.

In assessing the going concern, directors evaluated the foreseeable evolution of operations, the industrial plan, and the industrial and financial synergies of the reference group.

The assessment of the elements comprising the individual items of assets and liabilities took place separately so that the capital gains of some elements could not offset the capital losses of others.

Structure and contents of the financial statements

The balance sheet, the income statement, the cash flow statement, and the accounting information included in the explanatory notes comply with the accounting entries from which they derive.

In the balance sheet and income statement, no groupings of items preceded by Arabic numerals were applied, as provided by Article 2423-ter of the Italian Civil Code on an optional basis.

Pursuant to Article 2424 of the Italian Civil Code, no reported asset or liability has been recorded under more than one item of the Financial Statements schemes.

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

There were no exceptional cases that made it necessary to resort to exceptions under Article 2423, paragraphs 4 and 5 of the Civil Code.

Changes in the accounting principles

There were no exceptional cases that required resorting to exceptions under Article 2423-bis, paragraph 2, of the Civil Code.

Comparability and Adaptation

In compliance with Article 2423 ter of the Civil Code, please note that all balance sheet items were comparable with the previous fiscal period. There was, therefore, no need to adapt any item of the previous fiscal period. Considering that the 2021 financial statements were presented in an abbreviated form, we integrated the information of the earlier period with the missing details.

Valuation criteria

The criteria applied in assessing the balance sheet items and the changes in value comply with the regulations of the Civil Code and the indications provided in the accounting principles established by the Italian Accounting Board. These have not changed compared with the previous fiscal period.

In compliance with Article 2427, paragraph 1, no. 1, of the Civil Code, we illustrate the more significant valuation criteria adopted concerning provisions included in Article 2426 of the Civil Code, with particular reference to those balance sheet items for which the legislator admits different valuation or adjusting criteria or for which there are no specific criteria.

The accounting items expressed in foreign currency were booked, after being converted into euros, according to the exchange rate in force at the moment of their recognition, being the exchange rate at the date of the close of the fiscal period according to accounting principle OIC 26.

Receivables towards shareholders for payments still due

Receivables towards shareholders are valued at the nominal value that corresponds to the presumed realizable value.

Intangible assets

Intangible fixed assets, having met the prerequisites provided by the accounting standards, are booked as balance sheet assets at the purchase and/or production cost.

The value of the asset is net of the amortization and depreciation funds.

According to and as a result of Article 10 of Law No. 72 dated March 19, 1983, and also referred to in subsequent monetary revaluation laws, please note that for the intangible assets present in the balance sheet, there has never been a monetary revaluation.

Please note that on such fixed charges, it was not necessary to carry out write-downs according to Article 2426, paragraph 1, No. 3 of the Civil Code since, as prescribed by the OIC 9 accounting principle, there were no indicators of potential durable loss of value of the intangible assets.

Development costs

Development costs were booked as assets in the balance sheet in agreement with the Board of Statutory Auditors since, according to a prudent judgment, they satisfy the characteristics required by OIC 24: they are recoverable and relate to specific realizable development projects for which the company has the necessary resources. Furthermore, costs relate to a product or process that is clearly defined, identifiable, and measurable. Since it is possible to reliably forecast their useful life, they are amortized according to their useful life.

Goodwill

Goodwill is not booked in the financial statements.

Other intangible assets

Intangible assets are booked as a purchase cost, including accessory costs, and amortized with the legal or contractual limits, if applicable, or within five years.

Fixed assets in progress and advances

Intangible assets in progress, booked in item B.I.6, are initially recognized on the date when the first costs are incurred to develop the project and include internal and external costs incurred for its realization. These costs are included in assets in progress until the project is not completed and are not subject to amortization until then.

Tangible assets

The income belonging to tangible assets, booked when the transfer of risks and benefits related to the purchased goods, is recorded in the balance sheet at the purchase and/or production cost, including accessory charges net of the relative accumulated charges incurred up until when the goods were ready for use and within the recoverable value.

Costs that resulted in an increase in productivity, an extension of the useful life or the size of the asset were booked as an increase in the value of the assets to which they refer.

These assets are recognized in the balance sheet net of the amortization and depreciation fund.

Any disposal of assets (sale, scrapping, etc.) during the year led to the elimination of their residual value. Differences between the book and disposal values were recognized in the income statement.

Amortization starts when the asset becomes ready for use.

Public subsidies received for tangible fixed assets were booked with the indirect method in item A5 of the income statement under "other revenue and income". They are postponed to subsequent years on an accrual basis through the recognition of deferred income

Financial assets

Investments

All the investments in the financial statements were valued at cost, meaning the cost incurred for the purchase, regardless of the payment method, including any ancillary charges (commissions and bank charges, stamp duty, bank intermediation, etc.).

Receivables

Receivables recorded in financial fixed assets were recognized in the financial statements according to the amortized cost criterion, as defined by Article 2426 paragraph 2 of the Italian Civil Code, considering the time factor and the estimated realizable value, following the provisions of Article 2426, paragraph 1, n. 8 of the Civil Code.

In order to give a truthful and correct representation of the company's financial and economic position, the company used the presumed realizable value for receivables for which the application of the amortized cost and/or discounting method was verified. This was necessary, for example, in the case of receivables with a maturity of less than twelve months or for amortized cost, where transaction costs, commissions, and any other difference between initial value and maturity value were of minor importance. In the case of discounting, it was necessary when an interest rate deducible from the contractual conditions was not significantly different from the market interest rate.

Financial leasing

The Company does not have goods acquired with financial leasing contracts.

Inventories

Inventories are recognized at the lower of purchase and/or production cost and the net realizable value.

Contract work in progress

Inventories relating to contract work in progress related to orders acquired from customers are valued according to the percentage of completion criterion, which provides for the valuation in an amount corresponding to the revenue accrued at the end of each year, determined based on the progress of the works. The hours-worked criterion is used to determine progress. If the total estimated cost of a single contract is likely to exceed the estimated total revenue, the order is valued at cost and the probable loss for the completion of the order is recognized as a decrease in work in progress. If this loss is greater than the value, a special provision for risks and charges equal to the surplus is recognized.

Inventories of raw materials, ancillary materials, consumables, semi-finished or finished goods

Eventual stock is calculated with the weighted average cost method, compared with, as required by Article 2426, no. 9 of the Civil Code, with the net realizable value.

Receivables recognized in current assets

Receivables in current assets are booked on an amortized cost basis, as defined by Article 2426, paragraph 2 of the Civil Code, considering the time factor and the presumable realizable value, following the provisions of Article 2426, paragraph 1, No. 8 of the Civil Code.

The adjustment of the presumable realizable value is carried out by allocating of a depreciation fund, totalling Euro 4,366 as of 31/12/2022.

The presumable realizable value was used for those receivables for which it was verified that the application of the amortized cost and/or discounting method was irrelevant to give a truthful and fair view of the company's financial and economic situation. This occurred, for example, with receivables maturing in less than twelve months or, for the amortized cost criterion, in cases where transaction costs, commissions, and any other difference between initial value and value at maturity are of little significance. In the case of discounting, it occurred when an interest rate inferable from the contractual conditions did not significantly differ from the market interest rate.

Financial assets that do not constitute fixed assets

There are no investments, active derivative financial instruments or other securities that do not constitute fixed assets.

Cash

Cash availability is valued with the following criteria:

- Cash, at the face value;
- Bank deposits and cash checks at the presumable realizable value. In this specific case it coincides with the face value.

Accruals and deferred assets

Accruals and deferrals were calculated on the accrual basis by allocating common revenues and/or costs to several fiscal periods.

In the recognition as well as in the review of multi-year deferred income, the existence or permanence of the time condition was verified.

Net equity

The items are recognized in the balance sheet at their book value according to the indications included in the OIC 28 accounting principle.

Provisions for risks and charges

Provisions for risks and charges were allocated to cover liabilities whose existence is deemed certain or probable for which the amount or date of occurrence could not be determined at the end of the fiscal period.

The funds were established on a prudent and accrual basis prescribed by accounting principle OIC 31. The related provisions are recognized in the income statement for the year when they accrue, based on the criterion of "by nature" of costs classification.

Severance pay

Severance pay is calculated as established by Article 2120 of the Civil Code, considering the laws and the specifics of the contracts and professional categories. It includes the quotas accrued and the revaluations carried out with ISTAT coefficients.

The amount of the fund is net of pre-payments and the quotas used to terminate work contracts during the fiscal period. It is a certain debt toward employees at the closing date of the financial statements.

Payables

Payables were recorded according to the amortized cost method, as defined by Article 2426, Paragraph 2 of the Civil Code, taking into account the time factor, following the provisions of Article 2426, Paragraph 1, No. 8 of the Civil Code. For debts for which the application of the amortized cost and/or discounting method was verified to be irrelevant, for the need to give a truthful and fair view of the company's financial and economic situation, recognition at face value was maintained. For the amortized cost criterion, this occurred, for example, in the presence of debts with a maturity of less than twelve months or when transaction costs, commissions, and any other difference between initial value and value at maturity were of little significance. In the case of discounting, this occurred when an interest rate inferable from the contractual conditions was not significantly different from the market interest rate.

Accrued expenses and deferred income

Accruals and deferrals were calculated on the accrual basis by allocating common revenues and/or costs to several fiscal periods.

In the recognition as well as in the review of multi-year deferred liabilities, the existence or permanence of the time condition was verified.

Other information

Transaction with forward retrocession obligations.

In compliance with Article 2427, No 6-ter of the Civil Code, the company certifies that during the fiscal year it did not enter into any transaction subject to the obligation of forward retrocession.

Explanatory notes, assets

Following are the details of the movement of the individual balance sheet items, as provided by the regulation in force.

Fixed assets

Intangible fixed assets

Fixed assets

Fixed assets are before the related amortization funds and total Euro 2,769,470. Amortization funds total Euro 690,597.

Following are the changes of the related fixed assets

	Set-up and expansion costs	Development costs	Concessions, licences, trade marks and similar rights	Intangible assets in progress and down payments	Total intangible fixed assets
Value at the start of period					
Cost	2,568	1,210,593	52,105	529,113	1,794,379
Depreciation (Depreciation fund)	1,883	381,585	52,105	-	435,573
Balance sheet value	685	829,008	-	529,113	1,358,806
Change in period					
Increases for acquisitions	123,504	89,414	45,791	716,382	975,091
Reclassification (of the balance sheet value)	-	-	-	-	-
Depreciation	14,632	225,151	15,241	-	255,024
Total changes	108,872	(135,737)	30,550	716,382	720,067
Value at end of period					
Cost	126,072	1,300,007	97,896	1,245,895	2,769,470
Depreciation (Depreciation fund)	16,515	606,736	67,356	-	690,597
Balance sheet value	109,557	693,271	30,550	1,245,495	2,078,873

The most relevant increases in the fiscal period ended 31/12/2022 refer to the following items:

- The increase in the "Set-up and expansion costs" line totalling Euro 124 thousand is mostly related to the costs incurred for listing the Company on the MTF Direct Market section of the Vienna Stock Exchange and other costs incurred for the establishment of 4Science USA;

- The increase of the “Intangible assets in progress” line, totalling Euro 716 thousand, refers to multi-year investments, the cost of which can be reliably estimated, to develop and complete new products. In particular, 4Science during 2022 continued investing to progress and improve its products based on the DSpace platform, especially the verticalization for the CRIS (Current Research Information Systems) and GLAM (Galleries Libraries Archives Museums) markets and on its Add-Ons, which are among the most significant assets for 4Science as they are the real intellectual property distros. The most important development investments, which started in 2021, were made on version 7 of DSpace, a major release that was issued in beta version in the fourth quarter of 2020 and announced as a first release in June 2021. The investments and the improvements regarded both the basic version, supported by the Community, the two 4Science verticalizations, CRIS and GLAM, and the 4Science add-ons (IIIF Image Viewer, Document Viewer, OCR, Video Audio) to make the latter compatible with the DSpace-7 release. Version 7 of DSpace represents a major release in terms of functionality and technological innovation. This requires some work to make the new version compatible with the verticals that 4Science developed in past years on the previous versions (versions 5 and 6). On the other hand, it will be possible to develop the platform to give it and the add-ons additional functional characteristics that could be very useful, or better, necessary, to sell services and customizations in the coming years.

Tangible assets

Tangible assets

Tangible assets before the related depreciation funds total Euro 49,377; the depreciation fund totals Euro 22,943.

Following are the movements of the tangible assets.

	Other tangible assets	Total tangible assets
Value at start of period		
Cost	23,517	23,517
Depreciation (Depreciation fund)	14,312	14,312
balance sheet value	9,205	9,205
Changes in period		
Increases for acquisitions	25,860	25,860
Decreases for divestures and disposals (balance sheet value)	-	-
Depreciation	8,631	8,631
Total changes	17,229	17,229
Value at the end period		
Cost	49,377	49,377
Depreciation (Depreciation fund)	22,943	22,943
Balance sheet value	26,434	26,434

Investments booked during 2022 mainly referred to the purchase of computers and cell-phones for the Company’s employees

Financial assets

Investments, other financial instruments and financial derivatives

Following are the changes of the fixed assets in question:

	Investment in subsidiary	Investment in other companies	Total investments
Value at start of period			
Cost	-	33,919	33,919
Balance sheet value	-	33,919	33,919
Changes in period			
Increases for acquisitions	151,210	-	151,210
Total changes	151,210	-	151,210
Value at end of period			
Cost	151,210	33,919	185,129
Balance sheet value	151,210	33,919	185,129

4Science USA is booked in the investments in the subsidiary line for Euro 151,210. It was established on July 5, 2022, with headquarters in Delaware and 100% controlled by 4Science S.p.A. with a share capital of USD 150 thousand.

Investments in other companies, unchanged compared with 2021, include minority investments.

Current Assets

Inventories

Following are the changes in inventories:

	Value at start of period	Change	Value at end of period
Work in progress	667,480	179,900	847,380
<i>Total</i>	<i>667,480</i>	<i>179,900</i>	<i>847,380</i>

Work in progress comprises orders being executed for clients, valued at the percentage of completion. Progress is determined based on the work carried out by personnel, as a quantity, compared with the budgeted work forecast to complete the entire order.

Receivables included in current assets

Changes and variation of receivables booked in current assets

Following is the information regarding receivables in current assets and, if significant, information relating to their maturity.

	Value at start of period	Change	Value at end of period	Amount maturing during the fiscal period	Amount maturing after the end of the fiscal period
Receivables towards clients	441,295	199,689	640,984	640,984	-
Receivables towards subsidiaries	-	16,336	16,336	16,336	-
Receivables towards parent company	516,997	1,726,603	2,243,600	2,243,600	-

	Value at start of period	Change	Value at end of period	Amount maturing during the fiscal period	Amount maturing after the end of the fiscal period
Tax receivables	5,180	69,782	74,962	74,962	-
Prepaid taxes	-	2,880	2,880	-	2,880
Total	963,472	2,015,290	2,978,762	2,975,882	2,880

Receivables towards clients total Euro 640,984 and refer to receivables in force at the end of the period. They correspond to the face value adjusted by the posting of a specific allowance for doubtful accounts totalling Euro 4,366

Receivables towards subsidiaries total Euro 16,336 and refer to trade and financial receivables towards 4Science USA in force as of December 31, 2022.

Receivables towards the parent company refer to trade receivables towards the parent company Itway S.p.A. for Euro 437 thousand and a financial receivable for Euro 1,807 represented by the correspondent current account, the repayment of which will take place in a way that is compatible with the industrial plan of 4Science.

Tax receivables for Euro 74,962 thousand mainly represent VAT receivables accrued in 2022 for Euro 67,161.

Receivables for prepaid taxes for Euro 2,880 refer to receivables for prepaid taxes determined on the temporary fiscal changes in the year that will produce fiscal effects in future periods.

Breakdown by geographic area of receivables recorded in current assets

Following is a breakdown by geography of the receivables recorded in current assets:

Geographic area	Receivables towards clients booked in current assets	Receivables towards subsidiaries	Receivables towards parent company included in current assets	Tax receivables included in current assets	Receivables for prepaid taxes included in current assets	Total receivables included in current assets
ITALY	387,350	-	2,243,600	74,962	2,880	2,708,792
EU	226,181	-	-	-	-	226,181
NON-EU	27,453	16,336	-	-	-	43,789
Total	640,984	16,336	2,243,600	74,962	2,880	2,978,762

Financial assets that do not constitute fixed assets

Changes in financial assets that do not constitute fixed assets

The other non-current assets as of December 31, 2022 total Euro 5,586 (Euro 1,215 as of December 31, 2021), with an increase of Euro 4,353 and refer to down payments paid to clients/suppliers as collateral of services supplied.

Cash

Following are the changes in cash available:

	Value at start of period	Change	Value at end of period
bank and postal deposits	181,720	1,253,731	1,435,451
cash and cash equivalents	10	-	10
Total	181,730	1,253,731	1,435,461

The increase in cash and cash equivalents is broadly due to the underwriting of the capital increase by institutional investors for a total of Euro 2.8 million.

Accruals and deferred income

Following is a breakdown of accruals and deferred income:

	Value at start of period	Change	Value at end of period
Accrued income	-	-	-
Prepaid expenses	54,625	(9,470)	45,155
Accruals and deferred income	54,625	(9,470)	45,155

Accrued income totals Euro 45,155, of which Euro 32,375 refers to consultancy costs for an R&D tax credit obtained in 2021 linked to the effective use of the grant and costs of Euro 12,420 for services rendered during the year but pertaining to 2023.

There were no accruals and deferred income with an over five-year maturity.

Capitalized borrowing costs

All interest and other financial charges were fully expensed during the fiscal year. The company, therefore, certifies, in compliance with Article 2427, paragraph 1, no. 8 of the Civil Code, that no borrowing costs were capitalized.

Explanatory notes, liabilities and net equity

Following are the changes in the individual balance sheet item, according to the regulations in force.

Net equity

Variation in net equity

The following tables show the variation in the single items of net equity and the details of other allowances, if present in the balance sheet:

	Value at start of period	Allocation of the result of previous period Other allocations	- Increases	Decreases	Reclassification	Result for the period	Value at end of period
Share Capital	10,000	-	51,000	-	-	-	61,000
Share premium reserve	-	-	2,790,000	-	-	-	2,790,000
Revaluation reserve	-	-	-	-	-	-	-
Legal reserve	2,153	-	-	-	-	-	2,153
Extraordinary reserve	-	-	-	-	-	-	-
Reserve for unrealized foreign exchange gains	-	-	-	-	-	-	-
Misc other reserves	390,163	-	-	(40,000)	-	-	350,163
Total other reserves	390,163	-	-	(40,000)	-	-	350,163

	Value at start of period	Allocation of the result of previous period Other allocations	- Increases	Decreases	Reclassification	Result for the period	Value at end of period
Reserve for expected cash flow hedging transactions	-	-	-	-	-	-	-
Retained profit (losses)	358,520	328,111	-	-	-	-	686,631
Profit (loss) of the fiscal period	328,111	(328,111)	-	-	-	232,075	232,075
Total	1,088,947	-	2,841,000	(40,000)	-	232,075	4,122,022

Breakdown of the different reserves

Description	Amount
Merger surplus	200,163
Capital increase payment	150,000
Total	350,163

On July 5, 2022, the 4Science meeting of shareholders deliberated the transformation of the company from a limited liability company (S.r.l.) into a joint stock company (S.p.A.) and, at the same time, approved a free capital increase to Euro 50,000 with the allocation of 40,000 euros forming part of the Future capital increase reserve.

On August 8, 2022, professional and institutional investors completed the underwriting to a capital increase that raised Euro 2.8 million

Availability and use of net equity

The following table analytically indicates the net equity items, specifying their origin, possible use, distribution, and use in the previous three fiscal periods.

Description	Amount	Origin/Nature	Use	Amount available
Share capital	61,000			-
Share premium reserve	2,790,000	Capitale	B	2,790,000
Legal reserve	2,153	Utili	B	2,153
Reserve for payments of future capital increases	150,000	Capitale	A;B;C	150,000
Merger surplus	200,163	Utili	A;B;C	200,163
Retained profit (loss)	686,631	Utili	A;B;C	686,631
Result for the period	232,075			-
Total	3,921,859			3,828,947
Non-distributable total				3,828,947
Residual distributable total				0

Description	Amount	Origin/Nature	Use	Amount available
Legend: A: capital increase; B: loss hedging; C: for distribution to shareholders; D: for other statutory constraints; E: other				

Severance pay

The following table shows the variation in severance pay.

	Value at start of period	Provisions	Use	Total variation	Value at end period
Severance pay	213,274	90,677	(53,310)	37,367	250,641
Total	213,274	90,677	(53,310)	37,367	250,641

Payables

Payables: variation and maturity

The following table details the variation in payables and the eventual information on their maturity

	Value at start of period	Variation	Value at end period	Quota maturing during the fiscal period	Quota maturing after the fiscal period
Bank debt	-	1,236,656	1,236,656	262,494	974,162
Payables towards suppliers	109,490	199,397	308,887	308,887	-
Payables towards parent company	760,916	(257,916)	503,000	503,000	-
Tax payables	552,779	69,888	622,667	459,061	163,606
Payables towards social security bodies	159,083	37,930	197,013	92,521	104,492
Other payables	131,163	39,199	170,362	170,362	-
Total	1,713,431	1,325,154	3,038,585	1,796,325	1,242,260

Bank debt totals Euro 1,236,656 and refers to the residual quota of financing that Banca Progetto S.p.A. granted in May 2022 for a nominal Euro 1.5 million. This financing will be paid back in 5 years and is backed by a guarantee given by Medio Credito Centrale in favour of innovative SMEs. Please note that the loan was booked according to the amortized cost basis, deducting the transaction charges related to the expenses incurred for the disbursement of the loan.

Payables towards suppliers total Euro 308,887 and refer to debt towards suppliers at the date of the closing of the fiscal period.

Payables towards parent companies, totalling Euro 503,000, refer to trade payables towards the parent company Itway S.p.A. for administrative and legal services rendered by Itway.

Tax payables total Euro 622,667 and refer to debt towards tax authorities for withholdings on employee and collaborator compensation not paid at their natural expiry that the company expects to pay within the terms foreseen by the regulations in force.

Payables towards social security bodies total Euro 197,013; of these, Euro 167,913 refer to indebtedness towards INPS that the company will pay in instalments that expire in the next two years.

Other payables

Following is the breakdown of the Other Payables item

Description	Detail	Amount in current fiscal period
<i>Other payables</i>		
	Directors compensation	12,000
	Other payables towards third parties	72
	Employees w/ compensation	63,604
	Employees w/ deferred compensation	94,686
	Total	170,362

Breakdown of payables by geographic region

Following is the breakdown of payables by geographic region:

Geographic area	Bank debt	Debt towards suppliers	Debt towards parent company	Tax debt	Debt towards social security bodies	Other debt	Debt
ITALY	1,236,656	255,011	503,000	622,667	197,013	170,362	2,984,709
EU	-	17,843	-	-	-	-	17,843
NON-EU	-	36,033	-	-	-	-	36,033
Total	1,236,656	308,887	503,000	622,667	197,013	170,362	3,038,585

Accrued expenses and deferred income

The following table shows the variation in accrued expenses and deferred income

	Value at start of period	Change	Value at end of period
Accrued expenses	-	-	-
Deferred income	254,800	(63,286)	191,514
Total accrued expenses and deferred income	254,800	(63,286)	191,514

Deferred income totals Euro 191,514 and mainly refers to the share of the tax credit on development costs obtained in 2021 but spread over several years.

There are no accrued expenses and deferred income with maturities of over five years.

Explanatory notes, income statement

The income statement highlights the result of the fiscal period.

It details operations by summarizing the positive and negative income components contributing to the result. The positive and negative elements of income, recorded in the financial statements in accordance with the provisions of Article 2425-bis of the Civil Code, are divided based on whether they belong to: core operations, additional, or financial activities.

Core operations identify the income components that occur on an ongoing basis in the field relevant to manage the company. They identify and qualify the peculiar and distinctive part of the economic activity that the company carries out and for which it is finalized.

Financial activities comprise transactions that generate financial income and charges.

On a residual basis, additional activities comprise transactions that generate income flows that are part of ordinary activities but that are not part of core or financial activities.

Value of production

Revenue recognition is on an accrual basis, net of net of sale returns, allowances, discounts and awards.

Revenue from the sale of goods is recognized when the substantial, not formal, transfer has taken place using the effective transfer of risks and benefits as a reference point.

Revenues deriving from services are booked when the service has been rendered, i.e. when the service has been completed; in case of ongoing services, the accrued portion of the revenue is booked.

Increases for fixed assets for internal work are booked at the production cost, including direct costs (materials, labour, planning costs, third-party supplies, etc.) and general production costs, for the portion that is reasonable to allocate to the asset for the period of its production up to the moment when it is ready for use; in the same way, eventual charges related to the financing for production are added.

Operating grants are recognized on an accrual basis in the fiscal period when the right to receive it is certain. They are recognized in item A5 as they supplement revenue of core operations and/or reduce the costs and charges of core operations.

Breakdown of sales revenue and services by activity

Following is a breakdown of sales and service revenue by activity:

Business category	Value in period
Finished Products	-
Raw Materials	-
Services	2,062,187
Third party processing	179,900
Total	2,242,087

Breakdown of sales and service revenue by geographic area

Following is a breakdown of sales and services revenue by geographic area.

Geographic area	Value in current fiscal period
ITALY	990,248
ABROAD	1,251,839
Total	2,242,087

Production costs

Costs and expenses are booked on an accrual basis based on their nature, net of sales returns, allowances, discounts and awards, in accordance with the principle of correlation with revenues, and recorded in the respective items in accordance with the provisions of accounting standard OIC 12. In the case of purchases of goods, the related costs are recognized when the substantial, and not formal, transfer has occurred, assuming the transfer of risks and rewards as the reference point for the substantial transfer. In the case of purchase of services, the related costs are recorded when the service has been rendered, i.e., when the service has been completed. In the case of ongoing services, the related costs are recorded for the accrued portion.

Financial income and charges

Financial income and charges are booked on an accrual basis in relation to the portion accrued during the fiscal period

Composition of proceeds from investments

There are no income from investment as referred to in Article 2425, No. 15 of the Civil Code.

Breakdown of interest and other financial expenses by type of debt

Following is the breakdown of interest and other financial charges, as referred to in Article 2425, No. 17 of the Civil Code, with a specific breakdown between bonds, bank loans and other types

	Bank debt	Other	Total
Interest and other financial charges	102,714	27,771	130,485

Interest and other financial charges related to debt towards financial institutions total Euro 102,714 and reflect the costs incurred in 2022 for the financing from Banca Progetto.

In the "Other" item, Euro 3,952 relates to interest on arrears related to a position with a supplier, and Euro 23,819 in interest and penalties related to tax debt accruals as described in the section on receivables.

Profit/loss on exchange rates

The Company in 2022 booked Euro 3,826 of profit on exchange rates and Euro 3,872 of losses, all of which were fully realized

Amount and Nature of individual revenue/cost items of exceptional entity or magnitude

In the fiscal period there was no revenue or other positive components deriving from events of exceptional entity or magnitude.

Income, current, deferred, and prepaid taxes

The company allocated taxes for the year by applying the current tax regulations. Current taxes refer to taxes for the year as reported in tax returns. Deferred and prepaid taxes refer to positive or negative income components, respectively, subject to taxation or deduction in different fiscal years from those of statutory accounting.

Please note that the company is part of the tax consolidation scheme with Itway S.p.A. to which the tax result is "transferred" and on the basis of which consolidation charges/income are calculated

Deferred and prepaid taxes

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

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

Following are the tax rates applied to calculate deferred and prepaid taxes:

Tax rate	%
IRES	24%
IRAP	4.25%

Following is the reconciliation between the theoretical and effective tax burden related to IRES and IRAP in the fiscal year:

	Taxable income	Tax
Result before taxes	315,409	
Theoretical IRES tax charge (24%)		75,698
Temporary differences to be made in future fiscal periods	12,000	
Differences that will not be carried over to future years	(41,713)	
Carry forwards of temporary differences from previous fiscal periods		
Tax rate at 24%	285,696	
Current taxes for the period		68,567
Deferred tax net of the use of taxes allocated in previous years		
Anticipated tax net of use of anticipated taxes allocated in previous years		(2,880)
Net tax for the period		65,687

	Taxable income	Tax
Result before taxes	315,409	
Non-deductible costs for IRAP purposes	99,817	
Total	415,226	
Theoretical fiscal charge (3.9%)		16,194
Temporary differences to be realized in future years		
Differences that will not be carried forward to future years		
Carry forwards of temporary differences from previous fiscal periods		
Taxable income	415,227	
Tax rate at 4.82%	157,998	
Tax rate at 3.90%	257,229	
Current IRAP of the fiscal period		17648

The company is part of the Itway S.p.A. domestic tax consolidation scheme, so the tax result is transferred to the consolidating company. The IRES tax effect at 24% and equal to Euro 68,567 was debited to the parent company with a corresponding entry in the Consolidation Charges line reclassified on line 3.20 Income Taxes for the period.

Explanatory notes, cash flow statement

The company drafted the cash flow statement, a summary document reconciling the changes that occurred during the year in the company's assets with those in its financial position; it highlights the values related to the financial resources the company needed during the year and their uses.

The company adopted the indirect method, as envisaged by OIC 10, based on which cash flows are reconstructed, adjusting the operating result for non-cash transactions.

Explanatory notes, other information

Following is other information as required by the Civil Code.

Employees

Following is a breakdown of the average number of employees, divided by category and calculated considering the daily average.

	Managers	Mid-Managers	Employees	Total
Avg number	3	1	22	26

Compensation, advances, loans granted to directors and auditors and commitments made on their behalf

Following is the information required by Article 2427, No. 116 of the Civil Code, specifying that there are no advances and receivables and no commitments have been made on behalf of the Administrative Body as a result of guarantees of any kind.

	Directors	Auditors
Compensation	35,240	17,160

Compensation to the statutory auditor or the auditing company

Following is the compensation, broken down by type of service rendered, to the auditing company.

	Audit of annual accounts	Total compensation to statutory auditor or auditing company
Value	6,500	6,500

Types of shares issued by the company

The company's share capital is divided in 7,000,000 shares without indication of a nominal value, including:

- 6,000,000 ordinary shares

- 1,000,000 ordinary shares with bonus shares issued during the fiscal year. For those investors who will retain their shares for at least 36 months from the date of purchase, there will be the allotment of one new share for every five underwritten and kept for the period

Securities and other financial instruments issued by the company

The company did not issue any security or similar as described in Article 2427 No. 18 of the Civil Code. It also did not issue any financial instrument as per Article 2346, paragraph 6, of the Civil Code.

Information on assets and funding earmarked to a specific business

Assets earmarked for a specific business

It is hereby certified that at the date of the closing of the financial statements there are no assets earmarked for a specific business, as per Article 2427 of the Civil Code.

Financing earmarked to a specific business

It is hereby certified that at the date of the closing of the financial statements, there are no financings earmarked for a specific business, as per Article 2427 of the Civil Code.

Information on related parties

During the period, the company had commercial and financial relationships with related parties. These relationships were part of normal management activity, regulated at market conditions that are established by contract by the parties in line with the standard procedures. Following is a summary:

Euro	Receivables	Payables	Costs	Revenue
4Science S.p.A. towards Itway S.p.A.	2,243,600	503,000	161,000	108,000
4Science S.p.A. towards 4Science USA Corporation	16,336	-	-	8,992
TOTAL	2,259,936	503,000	161,000	116,992

Itway S.p.A. directs and coordinates 4Science S.p.A. This activity consists in indicating the general strategic and operational direction of the Group, defining and adjusting the organizational Model and elaborating the general policies to manage human and financial resources.

Information on agreements not shown in the balance sheet

During the year there was no agreement that is not included in the balance sheet.

Subsequent events

There were no significant subsequent event after the close of the period.

Enterprises that draw up the financial statements of the largest/smallest of companies of which they are part as a subsidiary

Pursuant to Articles 2427, No. 22-quinquies, 22-sexies, of the Civil Code, following is the name and legal headquarters of the company drafting the consolidated financial statements, of the larger or smaller set of enterprises, to which the company belongs to as a subsidiary. It also indicates where a copy of the consolidated financial statements is available.

Larger enterprise	
Name of the company	Itway S.p.A.
City (if in Italy) or foreign state	Milan
Tax code (for Italian companies)	01346970393
Place where consolidated financial statements are file	Ravenna

Summary statement of the financial statements of the company exercising management and coordination activities

Please note that the Company is part of the Itway Group and is subject to its direction and coordination.

The following summary statements sum up the essential data of the last financial statements approved by the company exercising direction and control.

Summary statement of balance sheet of company exercising direction and coordination

	Last fiscal period	Date	Previous fiscal period	Date
Date of last approved financial statements		31/12/2021		31/12/2020
B) Fixed assets	13,898,983		13,571,783	
C) Current assets	16,334,461		17,221,829	
D) Accrued income and prepaid expenses	45,738		28,188	
Total assets	30,279,182		30,821,800	
Share capital	4,603,521		3,952,659	
Reserves	4,021,981		3,525,356	
Profit (loss) of the fiscal period	1,306,542		1,222,858	
Total net equity	9,932,044		8,700,873	
B) Provision for risks and charges	8,367,033		8,175,087	
C) Severance pay	330,795		295,658	
D) Payables	11,649,310		13,650,182	
E) Accrued expenses and deferred income	-		-	
Total liabilities	30,279,182		30,821,800	

Summary table of the income statement of the company that exercises direction and coordination.

	Last fiscal period	Date	Previous fiscal period	Date
Date of last approved financial statements		31/12/2021		31/12/2020
A) Value of production	3,287,423		4,126,822	
B) Production costs	(3,145,474)		(3,902,983)	
C) Financial income and charges	1,207,854		685,217	
D) Adjustment values of financial activities	-		-	
Income taxes	(43,261)		313,802	
Profit (loss) of the fiscal period	1,306,542		1,222,858	

Information required under Article 1, paragraph 125 of Law No. 124 dated August 4, 2017

Concerning the provision included in Article 1, Paragraph 125-bis of Law 124/2017 regarding the obligation to provide evidence in explanatory notes of any sums of money received during the fiscal year by way of grants, subsidies, benefits, contributions, or aid, in cash or in kind, not of a general nature and without consideration, remuneration or compensation of any kind, from public administration and the entities referred to in Paragraph 125-bis of the same Article, the Company certifies that in 2022 no contributions of this nature were collected.

Please also note that the aid included in the National Register of State Aid referred to in Article 52 of Law No. 234, dated December 24, 2012, is published in the transparency section provided therein, operated by the entities that grant or manage such aid as per the relevant framework.

Proposed profit allocation or loss coverage

Dear Shareholders, in light of the above, the Administrative Body proposes to:

- allocate to the legal reserve Euro 11,623,90, or 5% of the profit for 2022;
- allocate to the voluntary reserve Euro 220,854.10.

Explanatory notes, conclusion

Dear Shareholders, we confirm that the current financial statements, comprising the balance sheet, the income statement, the cash flow statement and the explanatory notes give a true and fair view of the company's financial position and results of operations for the year and correspond to the accounting records. We therefore invite you to approve the draft financial statements as of 12/31/2022 together with the proposed allocation of the profit of the year, as prepared by the Administrative Body.

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

Milano, March 22, 2023

For the Board of Directors

G. Andrea Farina

**REPORT OF BOARD OF STATUTORY AUDITORS TO THE FINANCIAL STATEMENTS ENDED
DECEMBER 31, 2022 DRAFTED ACCORDING TO ARTICLE 2429 OF THE CIVIL CODE**

To the shareholders of 4Science S.p.A.:

Oversight activity

In the year ended December 31, 2022, the regulations in force and the rules of conduct of the Board of Auditors issued by the National Council of Certified Public Accountants guided our activity.

In the current report, we will inform you of such activity and of the results that we achieved.

The financial statements for the year ended December 31, 2022, prepared following Italian regulations that govern their drafting, that show a result of the fiscal period of Euro 232,075, were submitted for your approval.

The financial statements were made available to us within the legal deadline.

The Board of Statutory Auditors, not having been mandated with the legal audit, conducted oversight activity consistent with a brief overall check to verify that the financial statements were correctly drafted. Indeed, the person in charge of the statutory audit is responsible for verifying that the financial statements reflect the accounting data.

From what has been reported in the report of the person in charge of the statutory audit, the financial statements for the period ended December 31 2022, truly and correctly represent the financial position, results of operations, and cash flows of your company. It was also prepared by Italian regulations that govern its drafting.

Supervisory activity as per Article 2403, and following of the Civil Code

We supervised compliance with the law and the articles of incorporation and adherence to the principles of proper administration.

We took part in shareholders' meetings and the meetings of the Administrative Body that took place adhering to the regulatory, legislative, and statutory norms that govern their functioning and for which we can reasonably ensure that the measures deliberated conformed to the laws and bylaws and that they were not expressly imprudent, risky, in a potential conflict of interest or such as to compromise the integrity of the company's assets.

In periodic checks, we acquired from the Administrative Body information on the general performance of operations and the foreseeable evolution and on transactions of greater importance, for their size and characteristics, carried out by the Company. Based on the acquired information, we do not have particular observations.

We acquired knowledge on and supervised the adequacy of the organizational, administrative, and accounting structure and its proper functioning, and, in this sense, we have no particular observations.

We acquired knowledge of and supervised, to the extent of our responsibility, the adequacy and functioning of the administrative and accounting system and its reliability in correctly representing operations by securing information from the people in charge of the roles and examining corporate documents. In this sense, we have no particular observations.

During the fiscal period:

- The Board of Statutory Auditors received no complaint as per Article 2408 of the Civil Code;
- The Board of Statutory Auditors did not issue opinions according to the law.

During the supervisory activity described above, no further significant facts emerged, such as to require that it be flagged in the current report. .

Observations on the annual financial statements

We examined the financial statements for the period ended December 31, 2022, on which we report the following.

Since we are not entrusted with an analytical check on the content of the financial statements, we supervised its general preparation and overall compliance with the law for the part that regards its drafting and structure. In this regard, we do not have any particular observation.

We verified the compliance with the law in terms of the drafting of the report on operations, and in this regard, there are no observations to highlight in the current report.

To the best of our knowledge, the Administrative Body, in drafting the financial statements, did not depart from the laws as per Article 2424, paragraph 5, of the Civil Code.

We verified that the facts in the financial statements correspond to the information that we gained knowledge of following the fulfilment of the typical duties of the Board of Statutory Auditors. In this regard, there are no further observations.

Observations and proposals on the approval of the financial statements

Considering also the findings of the activity carried out by the auditing company, we see no reason why shareholders should not approve the financial statements for the period ended December 31, 2022, as drafted by the Administrative Body.

Therefore, we propose to the shareholders' meeting to approve the financial statements for the period ending December 31, 2022, as drafted by the Administrative Body.

The Board of Statutory Auditors agrees with the proposal made by the Administrative Body on the allocation of the result of the period.

Ravenna, April 12, 2023

THE BOARD OF STATUTORY AUDITORS

Andrea Magnani (President)

Silvia Caporali

Stefano Sgarzani

**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14
OF LEGISLATIVE DECREE NO. 39 OF JANUARY 27, 2010**

To the Shareholders of

4SCIENCE S.p.A.
Via Louis Braille, n. 15
48124 Ravenna (RA)

Report on the Audit of the statutory Financial Statements

Opinion

We have audited the statutory financial statements of 4Science S.p.A. (the Company), which comprise the balance sheet as of December 31, 2022, the profit and loss account, the statement of cash flows for the year then ended and the notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of December 31, 2022, and of the result of its operations and cash flows for the year then ended in accordance with the Italian law governing the criteria for their preparation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian law governing the criteria for their preparation and, in the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional skepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- We concluded on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010

The Directors of 4Science S.p.A. are responsible for preparing a report on operations of the 4Science S.p.A. as of December 31, 2022, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of the 4Science S.p.A. as of December 31, 2022 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of 4Science S.p.A. as of December 31, 2022 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

HLB Analisi S.p.A.

Signed by
Renzo Fantini
(Partner)

Reggio Emilia, April 12, 2023

This report has been translated into the English language solely for the convenience of International readers. The Italian original remains the definitive version.