



FINANCIAL STATEMENTS

31/12/2020



FINANCIAL STATEMENTS AS AT 31/12/2020

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STAR7 SPA

Via Alessandria 37/B –
 15122 Valle San Bartolomeo (AL), Italy
 Share capital €500,000.00 fully paid up
 Reg. Imp. 01255170050 - Rea 208355
 Tax ID code and VAT number 01255170050

Report on the management of the financial statements as at 31/12/2020

Dear Shareholders,

the year ended 31/12/2020 shows a positive result of € 1,022,127 (€ 1,346,901 as of 31/12/2019).

Operating conditions and business development

Your company operates in the field of translation and interpreting, automation of translation processes and language technologies, technical editing and content engineering, dedicated IT development, and print-on-demand.

Pursuant to art. 2428 it should be underlined that the activity is carried out at the head office in Valle San Bartolomeo and at the local units in Asti, Turin, Pistoia, Maranello and La Spezia.

From a legal point of view, the company directly controls the following companies that carry out activities that are complementary and/or functional to the group's core business.

Company	shareholding	control	activities
Star7 Printing Srl	60%	60%	printing & logistics
Star7 Engineering Srl	100%	100%	process engineering
Star Comunicacao Ltd	75%	75%	technical authoring printing
Cal Comunicação	75%	75%	logistics
STAR USA LLC	100%	100%	translation, authoring (in start up)
STAR7 GmbH Austria	100%	100%	technical authoring (in start up)
AD Studio Srl	100%	100%	technical authoring
Star Albania Shpk	100%	100%	technical authoring

Operating performance

General economic trends

The year 2020 was marked by the emergence of the "Covid-19" epidemiological emergency, which severely tested the health systems of almost all the countries of the world, as well as undermining their economic and financial systems, and also causing serious social problems, especially in Western countries.

Italy is one of the main countries affected, prompting the government to adopt significant counter measures, including the lock-down of the national territory.

In spite of the difficulties linked to the pandemic and the decrease in activities linked to it, which resulted in the closure of some plants of the most important customers in the *automotive* sector, during the past year your Company, despite a not negligible drop in turnover, managed to achieve a positive result that was substantially in line, in absolute terms, with the previous year.

Thanks to targeted interventions in the areas most exposed to *lockdowns* with the use of social shock absorbers provided for by the legislation against Covid-19 provided for by the Government and the European Commission and a restructuring of resources through the use of *smart working*, your company has managed to optimize costs and maintain a constant level of employment normally remunerated.

Despite the contingent situation described above, in 2020 the Company made some important changes to its structure, first and foremost the rebranding. It became operational on 7/7/2020, with the change of name from STAR S.p.A. to STAR7 S.p.A in order to enhance both the founding values of the company and the special features of the services that the company is able to provide with expertise and innovation in the global market. In the early months of last year the company also acquired the business unit of the associated company Dante

S.r.l., consisting of administration, purchasing and human resources services, which are now fully integrated into the STAR7 structure.

All this to make the company more structured in anticipation of the activities aimed at requesting admission of its shares to listing on AIM Italia, temporarily blocked due to Covid-19 in April last year and continued during the current year, since the presence on this trading system would offer an important development both in financial terms and image.

On 24/6/2020 the merger of RES S.r.l. into your company was completed.

This company had as its core business the activity of technical writing and provided customized services for some primary customers in the Automotive industry. The merger was retroactive as of 1/1/2020.

At the end of 2020 the purchase of 33% of the capital of the company IAMDEV Società tra Professionisti a r.l., formerly a STAR7 supplier, was finalized by deed of Notary Conforti, operating in the software production sector and preparatory to the development of your company's digitalization activities.

During the first few months of 2021 the production branch of Grafitec srl was acquired. This company operates in the printing sector and specializes in documentation for the defense sector, both classified and ordinary.

Continued development activity in translation services, both domestically and abroad, which may be realized during 2021 through future acquisitions.

Research and development activities

Pursuant to article 2428, paragraph 3, number 1, the following information is acknowledged:

During 2020, as well as in the previous five years, as in part already formally explained in the Management Report on the Parent Company's previous individual financial statements, the Group carried out research and development projects, eligible for subsidies pursuant to article 3 of Decree no. 174 of May 29, 2015 of the Ministry of Economy and Finance (pursuant to Decree Law 145/2013 converted into Law 190/2014).

As a leading Group in the field of language and translation services, both on the national and international geographic market, we have in fact implemented Experimental Development Projects, where the development activity consisted in the conceptual definition and implementation of new products, processes or services.

The Group has developed high value-added editorial technologies in the various Business Areas (Editorial, Language Services, After Sales), succeeding in developing innovative ideas and applications of already existing services, as well as co-developing - also with dedicated internal resources - and increasing the potential and integration of the software already available and creating new integrated platforms.

It is the Group's intention to continue to boost the development of new activities characterized by a degree of innovation with respect to its reference market, through a series of initiatives that will primarily involve human resources, external consultants and technical equipment.

Performance of operations in the sectors in which the company operates

As far as your company is concerned, the past financial year must be considered positive.

The Company has increased its market share in both the translation and print/editorial sectors and has increased revenue in the defense sector significantly.

Summary of financial statements (figures in Euros)

	31/12/2020	31/12/2019	change	31/12/2018
Revenues from sales and services	34,191,076	39,887,939	- 5,696,863	34,210,813
Value of production	34,781,507	41,120,475	- 6,338,968	34,884,928
Gross Operating Margin (M.O.L. or Ebitda)	2,035,712	2,731,753	- 696,041	2,334,614
Operating income (EBIT)	1,336,437	2,065,520	- 729,083	1,799,666
Profit (loss) before taxes	1,320,083	2,213,027	- 892,944	2,123,357
Profit (loss) after taxes	1,022,127	1,346,901	- 324,774	1,673,377
Fixed assets	7,142,321	5,370,614	1,771,707	4,827,759
Total equity	8,899,075	7,913,580	985,495	6,966,680
Net financial position	- 12,841,878	-15,166,717	2,324,839	- 6,792,428

Main income data

The Company's reclassified Income Statement compared with that of the previous year is as follows (in euros):

	31/12/2020	31/12/2019	change	31/12/2018
Net revenues	34,191,076	39,887,939	- 5,696,863	34,210,813
External costs	- 22,186,209	- 27,927,600	5,741,391	- 24,708,581
Value added	12,004,867	11,960,339	44,528	9,502,232
Personnel costs	- 10,525,097	- 10,569,152	44,055	- 7,885,631
EBITDA	1,479,770	1,391,187	88,583	1,616,601
Amortisation, depreciation, write-downs and other provisions	- 768,958	- 640,769	- 128,189	- 534,948
Operating profit (loss) (EBIT)	710,812	750,418	- 39,606	1,081,653
Non-recurring income	625,625	1,315,102	- 689,477	718,013
Financial income and charges	- 16,354	-	163,861	323,691
Profit (loss) before non-recurring items	1,320,083	2,213,027	- 892,944	2,123,357
Revaluations and write-downs	-	-	-	-
Profit before tax	1,320,083	2,213,027	- 892,944	2,123,357
Income taxes	- 297,956	- 866,126	568,170	- 449,980
Net profit (loss)	1,022,127	1,346,901	- 324,774	1,673,377

In order to provide a clearer picture of the Company's earnings performance, the table below shows certain profitability indicators compared with the same indicators for previous years' financial statements.

	31/12/2020	31/12/2019	31/12/2018
ROE (Return On Equity)	11.5%	17.0%	24.0%
ROI (Return On Invested Capital)	6.1%	8.9%	13.1%
ROE (Return On Sales)	3.9%	5.2%	5.3%

Main balance sheet data

The reclassified Balance Sheet of the Company compared with the previous year's figures is as follows (in Euros):

	31/12/2020	31/12/2019	change	31/12/2018
Net intangible fixed assets	4,433,581	1,499,405	2,934,176	1,532,645
Net property, plant and equipment	661,232	946,202	-284,970	662,952
Equity investments and other financial assets	2,047,508	2,637,507	-589,999	2,632,162
Fixed assets (A)	7,142,321	5,083,114	2,059,207	4,827,759
Inventories	17,284	52,478	-35,194	143,580
Trade receivables	20,416,607	21,781,999	-1,365,392	19,281,522
Receivables from subsidiaries	4,132,666	4,391,651	-258,985	227,850
Payables to associated companies	355,312	241,094	114,218	231,392
Tax credits and other receivables	1,259,758	990,970	268,788	995,709
Deferred tax assets	206,159	97,476	108,683	97,476
Accrued income and prepaid expenses	839,778	673,840	165,938	433,533
Short-term operating assets (B)	27,227,564	28,229,508	-1,001,944	21,411,062
Trade payables	-3,429,345	-3,629,410	200,065	-4,968,900
Payables to subsidiaries	-2,703,849	-1,694,684	-1,009,165	-2,235,266
Payables to associated companies	-1,043,715	-547,230	-496,485	-946,762
Payments on account	-	-	-	-
Tax and social security payables	-956,707	-1,131,555	174,848	-753,385
Other payables	-1,295,748	-1,218,920	-76,828	-1,465,893
Accrued expenses and deferred income	-351,845	-16,697	-335,148	-450,954
Short-term operating liabilities (C)	-9,781,209	-8,238,496	-1,542,713	-10,821,160
Net working capital (B-C=D)	17,446,355	19,991,012	-2,544,657	10,589,902
Employee severance indemnity	-2,583,457	-1,892,901	-690,556	-1,583,088
Taxes and social security payables (beyond the next financial year)	-	-	-	-
Other medium- and long-term liabilities	-264,266	-100,930	-163,336	-75,465
Medium/long-term liabilities (E)	-2,847,723	-1,993,831	-853,892	-1,658,553
Invested capital (A+D-E)	21,740,953	23,080,295	-1,339,342	13,759,108
Net equity	-8,899,075	-7,913,579	-985,496	-6,966,680
Medium/long-term net financial position	-10,303,407	-2,101,409	-8,201,998	-
Short-term net financial position	-2,538,471	-13,065,307	10,526,836	-6,792,428
Equity and net financial debt	-21,740,953	-23,080,295	1,339,342	-13,759,108

The reclassified balance sheet shows the company's financial soundness (i.e. its ability to maintain a financial balance in the medium/long term).

In order to provide a better description of the company's financial solidity, the table below shows some balance sheet ratios relating both to (i) the methods of financing medium/long-term loans and (ii) the composition of the sources of financing, compared with the same ratios for the financial statements of previous years.

	31/12/2020	31/12/2019	31/12/2018
Primary structural margin (equity-fixed assets)	1,756,754	2,830,465	2,138,921
Primary structural quotient (capital/fixed assets)	1.25	1.65	1.44
Secondary structural margin (permanent sources of capital / fixed assets)	14,907,884	6,925,705	3,797,474
Secondary Structure Quotient	3.09	2.50	1.79

Financial highlights

The net financial position at 31/12/2020 is as follows (in Euros):

	31/12/2020	31/12/2019	change	31/12/2018
Bank deposits	4,103,394	1,568,153	2,535,241	1,000,776
Cash and other valuables on hand	411	3,361	- 2,950	4,244
Cash on hand	4,103,805	1,571,514	2,532,291	1,005,020
Current financial assets	-	-	-	-
Due to banks (within one year)	- 6,581,222	- 14,924,322	8,343,100	- 7,797,448
Payables due to other financial institutions (within one year)	- 61,054	-	61,054	-
Short-term financial payables	-	- 287,500	287,500	-
Short-term financial payables	- 6,642,276	- 14,636,822	7,994,546	- 7,797,448
Net short-term financial position	- 2,538,471	- 13,065,308	10,526,837	6,792,428
Due to banks (beyond the next financial year)	- 10,303,407	- 2,101,409	8,201,998	-
Due to other financial institutions (beyond the subsequent year)	-	-	-	-
Financial receivables (beyond one year)	-	-	-	-
Financial payables (beyond the next financial year)	-	-	-	-
Medium/long-term net financial position	- 10,303,407	- 2,101,409	8,201,998	-
Net financial position	- 12,841,878	- 15,166,717	2,324,839	6,792,428

In order to provide a better description of the financial situation, the table below shows some balance sheet ratios, compared with the same ratios relating to the financial statements of previous years.

	31/12/2020	31/12/2019	31/12/2018
Primary liquidity	1.91	1.30	1.20
Secondary liquidity	1.91	1.30	1.20
Indebtedness (Financial debt/equity)	1.90	2.15	1.12
Coverage rate of fixed assets	2.69	1.97	1.44
Net financial debt/equity	1.44	1.92	0.97
EBITDA/net financial expense	10.81	18.51	34.01
Net financial debt/Ebitda	6.31	5.55	2.91

The primary liquidity ratio is 1.91. The company's current financial position is to be considered good.

The secondary liquidity ratio is 1.91. The value assumed by the net working capital is certainly satisfactory in relation to the amount of current payables.

The debt ratio is 1.90. The amount of debt is considered appropriate in relation to existing equity.

The coverage ratio of fixed assets of 2.69 shows that the amount of consolidated equity and debt is appropriate in relation to the amount of fixed assets. Shareholders' equity together with consolidated payables are considered to be of an appropriate amount in relation to the amount of fixed assets.

Environmental and personnel information

Taking into account the social role of the company as also highlighted by the document on the Management Report of the National Council of Chartered Accountants and Accounting Experts, it is deemed appropriate to provide the following information regarding the environment and personnel.

Environment

The Company does not engage in polluting industrial processes.

Staff

No on-the-job deaths occurred during the year among personnel listed in the register.

During the year, there were no serious accidents at work involving serious or very serious injuries to personnel listed in the register of employees.

During the year there were no charges relating to occupational illnesses on employees or former employees and mobbing cases.

Investments

During the year, investments were made in the following areas:

Fixed assets	Acquisitions during the year
Land and buildings	-
Plant and machinery	-
Industrial and commercial equipment	1,999
Other assets	262,108

The most significant item of fixed assets, "Other assets", consists of hardware and electronic equipment.

Relations with subsidiary, associated, parent and sister companies

The following table shows the data from the latest approved financial statements of the **subsidiaries**, understood to be those companies in which STAR Spa holds the majority of votes that can be exercised at the Shareholders' Meeting (art.2359 of the Italian Civil Code)

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share capital in €	Profit (loss) for the last financial year in €	Shareholders' equity in €	Share held in %	Book value or corresponding receivable	Shareholders' equity in € pro- quota
STAR7 PRINTING S.R.L.	ASTI	01495260059	10,000	99,265	582,138	60%	6,000	349,283
STAR COMUNICAÇÃO E SERVIÇOS LTDA	Brazil		320,704	642,824	1,928,924	75%	379,679	1,446,693
CAL COMUNICAÇÃO LTDA	Brazil		110,725	-5,701	18,115	75%	122,228	13,586
STAR7 ENGINEERING S.R.L.	MARANELLO (MO)	02436770065	40,000	261,647	1,027,497	100%	674,920	1,027,497
STAR7 AUSTRIA GMBH	Austria	ATU71651312	35,000	-4,846	36,126	100%	199,350	36,126
STAR USA LLC	USA		6,114	-246,288	-30,386	100%	292,474	- 30,386
AD STUDIO S.R.L.	LUGO (RA)	02552920395	10,000	45,327	107,023	100%	10,000	107,023
STAR ALBANIA SHPK	ALBANIA		4,106	19,192	19,526	100%	4,143	19,526
							1,688,794	2,969,348

To this list should be added Techworld Language Services Inc., which is indirectly controlled via STAR USA LLC, which holds 100% of the share capital.

At the end of 2020, a 33% stake was acquired in IAMDEV STP a r.l., a strategic company operating in software production.

Name	City, if in Italy, or foreign country	Tax ID No (for Italian companies)	Share capital in €	Profit (loss) for the last financial year in €	Shareholders' equity in €	Share held in %	Book value or corresponding receivable
IAMdev S.t.p. s.r.l	Montacchiello (PI)	02173930500	10,000	not avail.	not avail.	33%	120,000
							120,000

The company has had the following dealings with Group **subsidiaries**

COMPANY	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES	REVENUES	COSTS
	(FINANCIAL)	(FINANCIAL)	(TRADE)	(TRADE)	(TRADE)	(TRADE)
STAR7 PRINTING SRL			29,659	2,321,146	13,405	4,347,455
STAR7 ENGINEERING SRL			26,086	341,568	23,989	430,319
AD STUDIO SRL			85,137		60,659	839,816
STAR7 AUSTRIA GMBH			21	893	21	210,000
STAR COMUNICAÇÃO E SERVIÇOS LTDA	170,000		49,833			
STAR USA LLC	3,091,812		847,228		1,152,326	
STAR ALBANIA SHPK				30,000		450,000
TECHWORLD LANGUAGE SERVICES INC.			2,891	10,242		10,242
CAL COMUNICAÇÃO LTDA						
TOTAL	3,261,812		1,040,855	2,703,849	1,250,400	6,287,832

The company had the following relationships with **associated** Group companies:

COMPANY	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES	REVENUES	COSTS
	(FINANCIAL)	(FINANCIAL)	(TRADE)	(TRADE)	(TRADE)	(TRADE)
STAR AG			118,785	340,882	55,433	476,262
STAR SERV.LINGUISTICOS LDA				48,727		157,497
STAR SOFTWARE SHANGHAI CO. LTD			131	30,179		69,402
DANTE SRL			89,414	375,023	18,384	530,222
IAMDEV S.T.P.S.R.L				6,926		6,926
STAR BARCELONA					452	
STAR PREVAJALSKE STORITVE D.O.O Ljubljana				31,606		226,168
STAR INFORMATION ENGINEERING S.L.				21,769		97,836
STAR CZECH S.R.O.				40,260	3,992	260,473
STAR POLAND EURO				30,360		199,758
STAR JAPAN CO., LTD			7,394	15,425	9,578	116,869
STAR HUNGARY KFT				20,153		68,218
STAR AG TAIWAN BRANCH				7,586		22,204
STAR SERVICIOS LINGUISTICOS			43	1,887		28,991
STAR Information Services & Tools S.R.L.				14,124		55,248
Star Information Services Ltd. Sti.			112			
STAR GROUP SCANDINAVIA AB			4,035	11,229		14,753
STAR EGITTO MIDDLE EAST LTD CAIRO				1,708		15,825
STAR KOREA AG				4,556		22,065
STAR GROUP AMERICA LLC			3,809	7,596	2,652	
STAR IRELAND					16,920	
STAR UK LIMITED			2,478	9,926	5,024	50,857
STAR SWEDEN					23,215	
STAR SPB - RUSSIA				8,726		21,385
STAR TURCHIA INF.SERVICES LTD STI				3,428		5,117
STAR SOFTWARE INDONESIA				2,261		9,945
STAR PARIS			55,987	569	71,377	3,150
STAR J&M FINNLAND OY				1,367		7,647
STAR DO BRASIL LOCALIZACAO E TECNOLOGIA LTDA				3,110		7,824
STAR POLONIA ZLOTY				1,555		
STAR ROMANIA					57	
STAR CO., LTD				118		1,713
STAR DEUTSCHLAND GMBH			50,970	750	158,362	4,940
STAR Software, Translation, Artwork, Recording GmbH			956			
STAR TRANSLATION & SOFTWARE THAILAND CO., LTD				1,054		3,422
STAR TECHNOLOGY SOLUTIONS			17,524	530		
STAR SA			3,673	110	43,564	
GRAFICA E EDITORA STARCOM LTDA				214		
STAR VERTALINGEN BV						4,057
TOTAL	-	-	355,312	1,043,714	409,009	2,488,771

These transactions, which do not include any atypical and/or unusual operations, are conducted on an arm's length basis.

Information on risks and uncertainties pursuant to art. 2428, paragraph 3, point 6-bis of the Italian Civil Code

Credit

The company's receivables are carefully monitored, and the credit risk is deemed to be covered by the related provision of €542,134.

Liquidity

Note:

- lines of credit exist to meet liquidity needs;
- the company holds deposits with credit institutions to meet liquidity needs;

- there are no significant concentrations of liquidity risk on either the side of financial assets or sources of funding.
- terms of collection are adjusted to those of payment

Market risk

The effects of possible changes on the income statement in relation to relevant risk variables are limited and acceptable for each of the following components:

- interest rate risk
- price risk
- exchange rate risk

Given the limited risks, the company has no hedging activities in place.

Key risks are continuously monitored by the Chairman of the Board of Directors.

Information on own shares

It should be underlined that as at the closing date of these Financial Statements, the Company did not hold any of its own shares and/or shares and quotas of parent companies, including through trust companies or third parties.

Foreseeable evolution of operations

Activity in the first few months of this year confirms a trend in line with last year and the prospect of a positive result.

We thank you for the trust you have placed in us and invite you to approve the financial statements as presented.

CONSOLIDATED FINANCIAL STATEMENTS

The company prepares consolidated financial statements for STAR7 S.p.A. Group, since the limits set by Legislative Decree no. 127/1991 were exceeded, showing a consolidated profit for the Group of €1,493,286.

The STAR7 S.p.A. Group carries out activities of production and translation of technical documentation, interpreting, automation of editorial processes, dedicated IT development, printing on demand and is distinguished by its competence and experience.

During the year, business dealings with the associated companies Dante s.r.l., STAR AG and other minor subsidiaries of STAR AG were conducted on an arm's length basis.

During the year, Gruppo STAR7 S.p.A. consolidated its turnover and significantly developed its translation, technical editing and printing activities following major contracts with leading companies in the automotive sector.

Almost all the companies in the Group closed the 2020 financial year in profit, with good performances, consolidating their market positions and investing heavily in both R&D and new printing technologies to remain competitive in the market and provide their customers with targeted, quality services.

During the year, STAR7 S.p.A. Group developed Research and Development Projects, which are eligible for subsidies pursuant to Article 3 of Decree No. 174 of May 29, 2015 of the Ministry of Economy and Finance.

It was decided to consider this activity worthy of recognition in the current financial statements both for tax purposes, with the consequent determination of a Research and Development Credit to be used as compensation, and for accounting purposes, with the recognition of income under "Other revenues" equal to € 346,330 (activities carried out by STAR7 S.p.A., STAR7 Engineering s.r.l., STAR7 Printing s.r.l. and AD Studio s.r.l.). This resulted in the recognition of a research and development credit in these financial statements, against the full recognition in the income statement of the qualifying costs underlying the accounting.

STAR7 Printing s.r.l. has also benefited from a contribution under "Industria 4.0" of € 46,650.

The Italian companies have benefited from non-repayable grants, variously denominated in accordance with the regulations issued to combat the Covid-19 epidemic (non-repayable grants, sanitization, etc.) for a total of € 99,427.

As for FY 2021, business continues to run smoothly and on budget.

The Consolidated Financial Statements include the individual financial statements of the Parent Company, STAR7 S.p.A., and of those companies in which STAR7 S.p.A. directly or indirectly holds the majority of voting rights at Ordinary General Meetings.

The separate/individual financial statements of the following subsidiaries have been consolidated on a line-by-line basis:

Name	Registered office	Currency	Share capital in foreign currency	Shareholding	Share held in %	Interest in %
STAR7 PRINTING S.R.L.	ASTI-ITALY	Euro	10,000	Direct	60%	60%
STAR7 ENGINEERING S.R.L.	MARANELLO (MO)-ITALY	Euro	40,000	Direct	100%	100%
AD STUDIO S.R.L.	LUGO (RA)-ITALY	Euro	10,000	Direct	100%	100%
STAR COMUNICAÇÃO E SERVIÇOS LTDA	BELO HORIZONTE - BRAZIL	Real	1,448,205	Direct	75%	75%

CAL COMUNICAÇÃO LTDA	BELO HORIZONTE - BRAZIL	Real	500,000	Direct	75%	75%
STAR USA LLC	DOVER-DELAWARE -U.SA	USD	5,000	Direct	100%	100%
TECHWORLD LANGUAGE SERVICES INC.	TROY-MICHIGAN -U.S.A	U.S.\$	890	Indirect	100%	100%
STAR 7 AUSTRIA GMBH	LINZ-AUSTRIA	Euro	35,000	Direct	100%	100%
STAR ALBANIA SHPK	TIRANA -ALBANIA	Lek	500,000	Direct	100%	100%

It should be pointed out that the scope of consolidation changed compared to the previous period following the merger by incorporation of RES s.r.l. into STAR7 S.p.A..

The financial statements of each subsidiary, already approved by its governing bodies, were used for consolidation purposes, adjusted where necessary to bring them into line with the Parent Company's accounting standards.

STAR USA LLC has prepared its own consolidated financial statements, which include the accounts of Techworld Language Services Inc: for consolidation purposes, these sub-consolidated financial statements have been used.

Through STAR Comunicacao e Servicos Ltda, two other minor companies are held that have not been consolidated due to the immateriality of their financial statement data:

- GRAPHIC AND EDITORIAL STARCOM LTDA - COLIBRI', capital stock Reais 475,000, 75% owned, based in Bairro Novo Riacho;
- STAR COMUNICACAO E SERVICOS - SCP, equal partnership between STAR Comunicacao e Servicos Ltda and STAR do Brasil (controlled by STAR AG), share capital Reais 1,000, 50% owned, based in Betim.

All specific information is contained in the Notes to the Financial Statements prepared by the administrative body.

In compliance with art. 30 of Legislative Decree no. 127/1991, the reference date of the Consolidated Financial Statements coincides with that of the Parent Company's individual financial statements, i.e. 31/12/2020. All the financial statements of the companies included in the scope of consolidation coincide with the calendar year and are closed on 31/12/2020, as are those of the consolidating parent company.

Fulfilments pursuant to articles 375 and 377 of Legislative Decree 14/2019 (Business Crisis Code)

On March 16, 2019, the Corporate Crisis Code, which amended Article 2086 of the Civil Code, came into force, thereby placing the onus on the Administrative Body to verify the adequacy of organizational arrangements in order to prevent the onset of any corporate crisis. This must be done at least every 6 months.

The Company has an adequate organisational chart, also in view of the planned listing, and has adequate instruments for the constant monitoring of corporate activities, the economic and financial performance and a management control system.

The indicators relating to negative or below-par shareholders' equity and the DSGR (Debt Service Coverage Ratio) do not reveal any critical aspects.

Chairman of the Board of Directors
Lorenzo Mondo

STAR7 S.P.A.

Balance sheet as at 31-12-2020

ID data	
Headquarters in	ALESSANDRIA
Tax ID No	01255170050
REA Index number	AL 208355.
VAT No.	01255170050
Share capital in Euro	500,000 fully paid up
Legal form	COMPANY LIMITED BY SHARES (SPA)
Company in liquidation	no
Single member company	no
Company subject to management and coordination by another party	no
Group membership	no

Balance Sheet

	31-12-2020	31-12-2019
Balance sheet		
Assets		
B) Fixed assets		
I - Intangible fixed assets		
1) start-up and expansion costs	657,902	830,853
3) industrial patent rights and intellectual property rights	-	2,857
4) industrial patents and intellectual property rights	1,228,526	157,105
5) goodwill	1,722,974	-
6) assets under development/construction and payments on account	586,041	184,667
7) others	238,138	323,923
Total intangible assets	4,433,581	1,499,405
II - Property, plant and equipment		
1) land and buildings	222,505	223,264
2) plant and machinery	15,375	18,275
3) industrial and commercial equipment	8,321	17,645
4) other assets	415,031	451,302
5) assets under development/construction and payments on account	-	235,715
Total property, plant and equipment	661,232	946,201
III - Financial fixed assets		
1) equity investments		
a) subsidiaries	1,688,794	2,568,794
d-bis) other companies	120,000	-
Total equity investments	1,808,794	2,568,794
2) receivables		
a) from subsidiaries		
due within the next financial year	170,000	-
Total receivables from subsidiaries	170,000	-
b) from associates		
due after the next financial year	-	287,500
Total receivables from associated companies	-	287,500
d-bis) from others		
due after the next financial year	68,714	68,714
Total receivables from others	68,714	68,714
Total receivables	238,714	356,214
Total financial fixed assets	2,047,508	2,925,008
Total fixed assets (B)	7,142,321	5,370,614
C) Current assets		
I - Inventories		
4) finished products and goods	17,284	52,478
Total inventories	17,284	52,478
II - Receivables		
1) from customers		
due within the next financial year	20,416,607	21,781,998
Total trade receivables	20,416,607	21,781,998
2) from subsidiaries		
due within the next financial year	4,132,666	4,391,652
Total receivables from subsidiaries	4,132,666	4,391,652
3) from associates		

due within the next financial year	355,312	241,094
Total receivables from associated companies	355,312	241,094
5-bis) tax receivables		
due within the next financial year	791,524	720,389
Total tax receivables	791,524	720,389
5-ter) prepaid taxes	206,159	97,476
5-quater) from others		
due within the next financial year	468,234	270,581
Total receivables from others	468,234	270,581
Total receivables	26,370,502	27,503,190
IV - Cash on hand		
1) bank and postal deposits	4,103,394	1,568,153
3) cash and cash equivalents	411	3,361
Total cash and cash equivalents	4,103,805	1,571,514
Total current assets (C)	30,491,591	29,127,182
D) Accruals and deferrals	839,778	673,840
Total Assets	38,473,690	35,171,636
Liabilities		
A) Net equity		
I - Capital	500,000	500,000
IV - Legal reserve	100,000	100,000
VI - Other reserves, indicated separately		
Special reserve	7,291,413	5,944,512
Capital contributions	2,846	2,846
Misc. other reserves	19,321 ⁽¹⁾	19,321
Total other reserves	7,313,580	5,966,679
VII - Reserve for transactions to hedge expected cash flows	(36,632)	-
IX - Profit (loss) for the year	1,022,127	1,346,901
Total Owners' Equity	8,899,075	7,913,580
B) Provisions for risks and charges		
1) pensions and similar obligations	90,930	50,930
2) for taxes, including deferred taxes	75,135	-
3) financial derivative liabilities	48,201	-
4) others	50,000	50,000
Total provisions for risks and charges	264,266	100,930
C) Employee severance indemnity	2,583,457	1,892,901
D) Payables		
4) borrowings from banks		
due within the next financial year	6,581,222	14,924,322
due after the next financial year	10,303,407	2,101,409
Total due to banks	16,884,629	17,025,731
5) borrowings from other lenders		
due within the next financial year	61,054	-
Total borrowings from other lenders	61,054	-
7) trade payables		
due within the next financial year	3,429,345	3,629,410
Total trade payables	3,429,345	3,629,410
9) payables to subsidiaries		
due within the next financial year	2,703,849	1,694,685
Total payables to subsidiaries	2,703,849	1,694,685
10) payables to associated companies		
due within the next financial year	1,043,715	547,230

Total payables to associated companies	1,043,715	547,230
12) tax payables		
due within the next financial year	322,225	730,499
Total taxes payable	322,225	730,499
13) due to social security institutions		
due within the next financial year	634,482	401,054
Total payables to social security institutions	634,482	401,054
14) other payables		
due within the next financial year	1,295,748	1,218,920
Total other payables	1,295,748	1,218,920
Total Payables	26,375,047	25,247,529
E) Accruals and deferrals	351,845	16,696
Total Liabilities	38,473,690	35,171,636

⁽¹⁾Amnesty reserve

Income Statement

	31-12-2020	31-12-2019
Income Statement		
A) Value of production		
1) revenues from sales and services	34,191,076	39,887,939
2) change in inventories of work in progress, semi-finished and finished products	(35,194)	(82,566)
5) other revenues and income		
grants related to income	248,413	707,622
others	377,212	607,480
Total other revenues and income	625,625	1,315,102
Total Value of Production	34,781,507	41,120,475
B) Cost of production		
6) raw and ancillary materials, consumables and goods	1,215,359	1,005,950
7) services	19,515,139	25,500,866
8) use of third party assets	691,449	687,693
9) personnel		
a) wages and salaries	7,537,213	7,759,416
b) social security contributions	2,334,828	2,311,466
c) employees' leaving entitlement	547,562	434,948
e) other costs	105,494	63,322
Total personnel costs	10,525,097	10,569,152
10) amortisation, depreciation and writedowns		
a) amortisation of intangible fixed assets	503,467	513,156
b) depreciation of tangible fixed assets	155,808	127,613
d) writedowns of receivables included in current assets and cash equivalents	109,683	-
Total amortisation, depreciation and write-downs	768,958	640,769
12) provisions for risks	40,000	25,465
14) sundry operating expenses	689,068	625,060
Total Costs of Production	33,445,070	39,054,955
Difference between value and cost of production (A - B)	1,336,437	2,065,520
C) Financial income and charges		
15) income from equity investments		
from subsidiaries	170,000	300,000
Total income from equity investments	170,000	300,000
16) other financial income		
d) income other than the above		
others	3,490	293
Total income other than the above	3,490	293
Total other financial income	3,490	293
17) interest and other financial expense		
others	188,364	147,606
Total interest and other financial expense	188,364	147,606
17-bis) foreign exchange gains and losses	(1,480)	(5,180)
Total financial income and expense (15 + 16 - 17 + - 17-bis)	(16,354)	147,507
Profit (loss) before tax (A - B + - C + - D)	1,320,083	2,213,027
20) Current, deferred and prepaid income tax for the year		
current taxes	319,934	684,229
prior year taxes	-	181,897
Deferred tax assets and liabilities	(21,978)	-
Total current and deferred income tax assets and liabilities	297,956	866,126

21) Profit (loss) for the year	1,022,127	1,346,901
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Cash flow statement, indirect method

	31-12-2020	31-12-2019
Cash flow statement, indirect method		
A) Cash flow from operating activities (indirect method)		
Profit (loss) for the year	1,022,127	1,346,901
Income taxes	297,956	866,126
Interest expense/(income)	184,874	147,313
(Dividends)	(170,000)	(300,000)
(Gains)/Losses from disposal of assets	30,953	-
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses on disposal	1,365,910	2,060,640
Adjustments for non-cash items that did not have a balancing entry in net working capital		
Provisions	587,562	460,413
Depreciation/amortisation of fixed assets	659,275	640,769
Other adjustments up/(down) for non-cash items	389,447	-
Total adjustments for non-monetary items that did not have a balancing entry in net working capital	1,636,284	1,101,182
2) Cash flow before changes in net working capital	3,002,194	3,161,522
Change in net working capital		
Decrease/(Increase) in inventories	35,194	91,102
Decrease/(Increase) in trade receivables	1,365,391	(2,396,629)
Increase/(Decrease) in trade payables	(200,065)	(1,339,490)
Decrease/(Increase) in accrued income and prepaid expenses	(165,938)	(240,307)
Increase/(Decrease) in accrued expenses and deferred income	335,149	(434,258)
Other decreases/(Other increases) in net working capital	1,705,301	(4,968,071)
Total change in net working capital	3,075,032	-
3) Cash flow after changes in net working capital	6,077,226	(6,144,131)
Other adjustments		
Interest received/(paid)	(184,874)	(147,313)
(Income taxes paid)	(581,045)	(857,740)
Dividends received	-	300,000
(Use of provisions)	(171,318)	(228,982)
Total other adjustments	(937,237)	-
Cash flow from operating activities (A)	5,139,989	(7,078,166)
B) Cash flow from investment activities		
Property, plant and equipment		
(Investments)	(234,311)	(410,862)
Divestments	96,804	-
Intangible fixed assets		
(Investments)	(2,557,643)	-
Financial fixed assets		
(Investments)	(120,000)	(292,846)
Divestments	287,500	-
Cash flow from investing activities (B)	(2,527,650)	(1,183,623)
C) Cash flow from financing activities		
Loan funds		
Increase/(Decrease) in short-term payables to banks	(8,391,634)	3,368,269
Financing	8,900,000	7,400,593
(Repayment of loans)	(588,414)	(1,540,579)
Own funds		

(Dividends and interim dividends paid)	-	(400,000)
Cash flow from financing activities (C)	(80,048)	8,828,283
Increase (decrease) in cash and cash equivalents (A ± B ± C)	2,532,291	566,494
Cash and cash equivalents at beginning of year		
Bank and postal deposits	1,568,153	1,000,776
Cash and cash equivalents	3,361	4,244
Total cash and cash equivalents at beginning of year	1,571,514	1,005,020
Cash and cash equivalents at end of year		
Bank and postal deposits	4,103,394	1,568,153
Cash and cash equivalents	411	3,361
Total cash and cash equivalents at end of year	4,103,805	1,571,514

Dear Shareholders

these financial statements, submitted for your examination and approval, show a net profit for the year of € 1,022,127 (€ 1,346,901 as at 31/12/2019).

Your company produces and translates technical documentation, interpreting, automates editorial processes, develops dedicated software, and prints on demand. It stands out for its competence and experience, as well as its great commitment to the search for new and innovative solutions.

Research and development activities

During the year, STAR7 S.p.A. developed Research and Development Projects, eligible for subsidies pursuant to Article 3 of Decree no. 174 of May 29, 2015 of the Ministry of Economy and Finance.

It has been decided to consider this activity worthy of recognition in the current financial statements both for tax purposes, with the consequent determination of a Research and Development Credit to be used as compensation, and for accounting purposes, with the recognition of an extraordinary income under "Other revenues" of € 149,325, allocating this amount to item A5) Other revenues and income - b) Operating grants. This has entailed recognition of a research and development receivable in these financial statements, all on the assumption that the eligible costs underlying the calculation are fully recognized in the income statement.

Significant events occurring during the year

The year 2020 was marked by the emergence of the Covid-19 epidemiological emergency, which burdened the health systems of almost every country in the world with work, as well as undermining their economic and financial systems, and also causing serious problems of social stability, especially in the West.

Italy is one of the main countries affected, prompting the Government to adopt significant counter measures, including the lock-down of the national territory.

Despite the contingent situation described above, in 2020 the Company made some important changes to its structure, first and foremost the *rebranding*. It became operational on 7/7/2020, with the change of name from STAR S.p.A. to STAR7 S.p.A in order to enhance both the founding values of the Company and the peculiar characteristics of the services it is able to provide with expertise and innovation in the global market.

In the early months of last year the Company also acquired the business unit of the associated undertaking, Dante S.r.l., consisting of administration, purchasing and human resources services, which are now fully integrated into the STAR7 structure.

All this in order to make the Company more structured in anticipation of the activities aimed at requesting admission to the listing of its shares on AIM Italy, extended to 2021 due to the epidemiological emergency; as is well known, the presence on this trading system would offer important development both in financial terms and in terms of image.

On 24/6/2020 the merger of RES S.r.l. into STAR7 was also completed. The merged company's core business was technical writing and providing customized services for a number of leading *automotive* customers. The merger was effective for accounting and tax purposes retroactive to 1/1/2020.

At the end of 2020 the purchase of 33% of the share capital of the company IAMDEV Società tra Professionisti a r.l., formerly a STAR7 supplier, was finalized by deed of Notary Conforti, operating in the software production sector and preparatory to the development of your Company's digitization activities.

Finally, during the first few months of 2021, the production branch of Grafitec S.r.l. was acquired. This company operates in the printing sector, specializing in defense documentation, both classified and ordinary.

Continued development activity in translation services, both domestically and abroad, which may be realized during 2021 through future acquisitions.

Preparation criteria

The criteria used in the preparation and measurement of the Financial Statements for the year ended 31/12/2020 take into account the changes introduced into the national legislation by Legislative Decree 139/2015, through which Directive 2013/34/EU was implemented. As a result of Legislative Decree 139/2015, the national accounting standards OIC were amended.

These Financial Statements comply with the provisions of articles 2423 et seq. of the Italian Civil Code, as illustrated in these Notes, which have been drawn up in accordance with article 2427 of the Italian Civil Code

and constitute, pursuant to article 2423, an integral part of the Financial Statements. Carrying amounts are shown in Euro units by rounding off the relevant amounts. Any rounding differences were posted to the item "Euro rounding reserve" under shareholders' equity; pursuant to article 2423, paragraph 6, of the Italian Civil Code, the Notes to the Financial Statements have been drawn up in euros. The Notes to the Financial Statements present information on items in the Balance Sheet and Income Statement in the order in which the relevant items are shown in the respective financial statements.

Basis of preparation

(Ref. articles 2423 and 2423-bis C.C.)

The valuation of the items in the financial statements was carried out in accordance with the general criteria of prudence and competence, with a view to the continuation of the business.

It should be noted that for the purposes of the going concern assumption pursuant to art. 2423-bis of the Italian Civil Code, for the preparation of these Financial Statements the Company did not make use of the exemption option provided for by paragraph 2 of art. 38-quater of Law no. 77/2020 converting Law Decree no. 34/2020 ("Relaunch Decree"), an option introduced following the Covid-19 epidemic.

The application of the principle of prudence has entailed the individual valuation of the elements making up the individual items of assets or liabilities, in order to avoid offsetting losses that must be recognized with profits that must not be recognized as they have not yet been realized.

In accordance with the accruals principle, the effect of transactions and other events has been recorded in the accounts and attributed to the period to which such transactions and events refer, and not to the period in which the related cash movements (receipts and payments) take place.

In application of the principle of materiality, the obligations concerning recognition, measurement, presentation and disclosure have not been complied with when their observance would have an irrelevant effect on the true and fair view.

Continuity in the application of the valuation criteria over time is a necessary element for the purposes of comparability of the company's financial statements in the various financial years.

Recognition and presentation of items in the financial statements has been made taking into account the substance of the transaction or contract.

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

(Ref. art. 2423, fifth paragraph, C.C.)

There were no exceptional circumstances that made it necessary to resort to derogations pursuant to art. 2423, paragraph 5 of the Italian Civil Code.

Suspension of depreciation - art. 60 Law 126/2020

It should be noted that pursuant to art. 60 of Law no. 126/2020 the Company, as an exception to art. 2426, paragraph 1, number 2) of the Italian Civil Code, decided not to carry out annual amortization of the cost of certain intangible assets. As provided for by the above-mentioned legal provision, the portion of amortization not carried out is charged to the Income Statement for the following year, thus extending the original amortization schedule by one year. The Company was induced to make use of the aforementioned waiver as the pandemic caused by the Covid-19 virus significantly slowed the growth process undertaken and interrupted the execution of certain activities such as the Group's rebranding and listing.

From the following comparison tables, the impact of the waiver on the income statement and balance sheet emerges.

INCOME STATEMENT	WITH DEROGATION	WITHOUT DEROGATION	DIFFERENCE
Value of production	34,781,507	34,781,507	-
Cost of production	- 33,445,070	- 33,835,073	390,003
Difference between value and cost of production	1,336,437	946,434	390,003
Financial income and charges	- 16,354	- 16,354	-

Value adjustments	-	-	-
Profit before tax	1,320,083	930,080	390,003
Income taxes	- 297,956	- 224,861	- 73,095
Net profit (loss)	1,022,127	705,219	316,908

BALANCE SHEET	WITH DEROGATION	WITHOUT DEROGATION	DIFFERENCE
Intangible fixed assets	4,433,581	4,043,578	390,003
Property, plant and equipment	661,232	661,232	-
Financial fixed assets	2,047,508	2,047,508	-
NON-CURRENT ASSETS	7,142,321	6,752,318	390,003
CURRENT ASSETS	30,491,591	30,491,591	-
ACCRUED INCOME AND PREPAID EXPENSES	839,778	839,778	-
TOTAL ASSETS	38,473,690	38,083,687	390,003
Share capital	500,000	500,000	-
Reserves	7,376,948	7,376,948	-
Net profit (loss) for the year	1,022,127	705,219	316,908
NET EQUITY	8,899,075	8,582,167	316,908
PROVISIONS FOR RISKS AND CHARGES	264,266	191,171	73,095
PROVISIONS FOR SEVERANCE	2,583,457	2,583,457	-
PAYABLES	26,375,047	26,375,047	-
ACCRUED EXPENSES AND DEFERRED INCOME	351,845	351,845	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	38,473,690	38,083,687	390,003

Changes in accounting principles

The Company has not changed its accounting policies.

Comparability and fit issues

There are no problems with the comparability and adjustment of the figures in the Financial Statements for the year with those in the Financial Statements for the previous year.

Measurement criteria applied

Ref. art. 2426, first paragraph, Civil Code and Accounting Principles OIC 12.

Fixed assets

Intangible fixed assets

These are recorded at the historical cost of acquisition and shown net of amortization charged directly to the individual items.

Start-up and expansion costs benefiting future periods have been capitalized with the consent of the Board of Statutory Auditors. Start-up and expansion costs are amortized over five years.

Licenses and software are amortized at an annual rate of 33.33%.

The costs of creating the website are amortized at an annual rate of 20%.

Goodwill is amortizable over 10 years. For the amortization of the company branch acquired from Dante S.r.l., recourse was made to the exemption provided for by Law 126/2020.

Leasehold improvements are depreciated at rates that depend on the duration of the lease of the property being improved.

No development costs and/or assets in progress relating to Research and Development projects capitalized pursuant to OIC 24 have been recorded.

If, irrespective of the depreciation/amortisation already recorded, an impairment loss occurs, the asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value is

restored, adjusted only for depreciation/amortisation.

Property, plant and equipment

They are recorded at purchase or production cost and adjusted by the corresponding depreciation provisions. Ancillary charges and costs incurred in using the asset were taken into account in the value recorded in the financial statements, reducing the cost of trade discounts and cash discounts of a significant amount.

The depreciation quotas charged to the Income Statement have been calculated on the basis of the criterion of the residual useful life of the assets, taking into account their use, destination and economic-technical duration, a criterion which we consider to be well represented by the following rates, which have not been modified with respect to the previous year and which are reduced by half in the year the asset enters service:

Asset Category	% Amortisation/Depreciation
Buildings	3%
Plant and machinery	15%
Equipment	15%
Furniture	12%
Electronic office machines	20%
Trucks	20%

The item land/buildings relates to a building plot currently used as a parking lot.

If, irrespective of the depreciation/amortisation already recorded, an impairment loss occurs, the asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation/amortisation.

There are no tangible assets with monetary or economic revaluation.

There are no capitalized borrowing costs.

Receivables

The amortised cost rule has not been applied as the effects are irrelevant for the purposes of giving a true and fair view; therefore, receivables are shown at their estimated realizable value.

The nominal value of receivables is adjusted to their estimated realizable value by means of a specific allowance for doubtful accounts, taking into account the existence of indicators of uncollectibility as well as the general economic situation, negatively affected by the Covid-19 epidemic.

Payables

The amortised cost rule has not been applied as the effects are irrelevant for the purposes of giving a true and fair view; therefore, payables are shown at their nominal value, which reasonably approximates their extinguishing value.

Accruals and deferrals

They have been determined in accordance with the criterion of actual accrual for the period.

For long-term accruals and deferrals, the conditions that determined their original booking were verified, adopting the appropriate changes where necessary.

Inventories

Raw and ancillary materials and finished products are recorded at the lower of purchase or production cost and estimated realizable value; the valuation criterion is unchanged from the previous year.

Equity investments

Shareholdings in subsidiaries, entered under financial fixed assets, are valued at purchase or subscription cost. Investments recorded as fixed assets represent a long-term, strategic investment by the Company.

Investments recorded at purchase cost have not been written down because there are no indicators of

impairment, despite the negative effects caused by the Covid-19 epidemiological emergency.

Provisions for risks and charges

These are set aside to cover losses or payables whose existence is certain or likely, but whose amount or date of occurrence could not be determined at the end of the financial year.

In the valuation of these provisions, the general criteria of prudence and accruals were respected and no generic risk provisions without economic justification were set up.

Contingent liabilities have been recorded in the financial statements and posted to the provisions since they are considered probable and the amount of the related charge can be reasonably estimated.

Provision for severance pay

The provision represents the actual debt accrued to employees in accordance with the law and current labor contracts, considering all forms of remuneration of an ongoing nature.

The fund does not include the indemnities accrued as of January 1, 2007 and destined for complementary pension schemes pursuant to Legislative Decree no. 252 of December 5, 2005.

Income Taxes

Taxes are accounted for on an accruals basis and therefore represent provisions for taxes settled for the year, determined in accordance with current rates and regulations. Deferred taxation has been recorded on temporary differences between the book values and tax bases of positive and negative income components.

Revenue and cost recognition

Revenue from sales of products is recognized at the time of transfer of the typical risks and rewards of ownership, which is normally identified with the delivery or shipment of the goods.

Revenues from services and those of a financial nature are recognized on an accruals basis.

The same criteria apply to cost entry.

Revenues and income, costs and charges relating to transactions denominated in foreign currency are accounted for at the exchange rate in force on the date on which the transaction is carried out.

NOTES, ASSETS

FIXED ASSETS

Intangible fixed assets

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
4,433,581	1,499,405	2,934,176]

Changes in intangible fixed assets
(Ref. art. 2427, first paragraph, no. 2, C.C.)

	Start-up and expansion costs	Industrial patent rights and intellectual property rights	Industrial patents and intellectual property rights	Goodwill	Intangible fixed assets in progress and advances	Other intangible fixed assets	Total intangible assets
Value at start of year							
Cost	1,384,755	150,352	1,100,065		184,667	558,047	3,377,886
Amortisation/depreciation (accumulated)	553,902	147,495	942,960			234,124	1,878,481
Book value	830,853	2,857	157,105	0	184,667	323,923	1,499,405
Changes during the year							
Increases due to acquisitions	130,000		1,071,421	1,772,180	401,374	62,668	3,437,643
Amortisation/depreciation for the year	302,951	2,857	0	49,206		148,453	503,467
Other changes							0
Total changes	-172,951	-2,857	1,071,421	1,722,974	401,374	-85,785	2,934,176
Value at end of year							
Cost	1,514,755	150,352	2,171,486	1,772,180	586,041	620,715	6,815,529
Amortisation/depreciation (accumulated)	856,853	150,352	942,960	49,206	0	382,577	2,381,948
Book value	657,902	0	1,228,526	1,722,974	586,041	238,138	4,433,581

During fiscal year 2020, the following were capitalized:

- start-up and expansion costs: €130,000 relating to software services for an on-line technical documentation management project for the automotive sector;
- licences, trademarks and similar rights: 1,071,421 relating to software purchased and programs developed internally (€ 851,697) and the STAR7 trademark (€ 219,724). The license purchase for the year relates to the ERP implementation being completed, which has not been amortized in accordance with proper accounting principles;
- goodwill: 1,772,180 relating to the branch of business acquired from Dante s.r.l. (€ 1,273,856 plus additional charges of € 6,264) and the merger of RES s.r.l. (€ 485,823 plus additional charges of € 6,237); goodwill has not been franked for tax purposes. This goodwill has been recorded with the consent of the Board of Statutory Auditors, supported by appraisals drawn up by independent third party professionals and taking into account that there are no indicators of impairment;
- assets under development/construction and payments on account: 401,374 relating to charges for listing on the AIM market (€ 226,055), rebranding/corporate organization (€ 128,369), professional services for due diligence in progress (45,150), other minor (€ 1,800);
- other intangible fixed assets 62,668 relating to leasehold improvements.

As anticipated, the Company, as a result of the Covid-19 epidemic, which prevented it from carrying out planned activities and slowed down the growth process undertaken, exercised its right to suspend amortization for the following categories of intangible assets:

- licences, trademarks and similar rights: € 261,991;
- goodwill of Dante S.r.l. company branch: € 128,012.

A total of € 390,003 in amortization has been suspended (of which € 261,991 has been deducted for tax purposes as goodwill has not been redeemed for tax purposes). It should also be noted that amortization charges not recorded in the Income Statement but deducted for tax purposes gave rise to deferred taxation of €73,095 (theoretical tax rate of 27.9%).

Breakdown of start-up and expansion costs and development costs

(Ref. art. 2427, first paragraph, no. 3, Civil Code)

The breakdown of start-up and expansion costs and the reasons for their recognition are shown below.

Start-up and expansion costs

Pursuant to OIC 24, during 2018, start-up costs related to new activities linked to new contracts with leading customers in the *automotive* sector amounting to € 1,384,755 were recorded under item BI1. In 2020, € 130,000 was capitalized relating to costs for software services for an online technical documentation management project for the Automotive sector.

No development costs and/or assets in progress were recorded relating to Research and Development projects capitalized pursuant to OIC 24.

Property, plant and equipment

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
661,232	946,201	- 284,969

Changes in property, plant and equipment

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible fixed assets under construction and advances	Total property, plant and equipment
Value at start of year						
Cost	226,300	32,520	101,230	1,087,467	235,715	1,683,232
Amortisation/depreciation (accumulated)	3,036	14,245	83,585	636,165		737,031
Book value	223,264	18,275	17,645	451,302	235,715	946,201
Changes during the year						
Increases due to acquisitions			1,841	232,470		234,311
Reclassifications					-235,715	-235,715
Decreases due to disposals and divestments (of book value)				127,757		127,757
Amortisation/depreciation for the year	759	2,900	11,165	140,984		155,808
Other changes	0					
Total changes	-759	-2,900	-9,324	-36,271	-235,715	-284,969

Value at end of year						
Cost	226,300	32,520	103,071	1,192,180	235,715	1,789,786
Amortisation/depreciation (accumulated)	3,795	17,145	94,750	777,149	0	892,839
Other changes	0	0	0	0	-235,715	-235,715
Book value	222,505	15,375	8,321	415,031	0	661,232

Increases for the year mostly concern electronic machines and hardware, while decreases relate exclusively to motor vehicles.

The item "Fixed assets under construction and advances" includes € 235,715 relating to the start of works for the construction of new offices in front of the registered office in Alessandria, in the hamlet of Valle San Bartolomeo; said works were financed by means of a property lease and therefore the above amount was transferred to other receivables / intangible fixed assets.

Despite the option provided for by art. 60 of Decree Law 104/2020 as a result of the Covid-19 epidemiological emergency, amortization rates were neither suspended nor reduced.

Real estate leasing

Finance lease transactions: the table below summarizes the figures for the property lease contract in progress if it were recorded in the accounts in accordance with international accounting standards (so-called financial method).

	Amount
Total amount of leased assets at year end	1,885,141
Depreciation that would have been charged during the year	45,243
Present value of installments of fees not yet due at year end	1,149,973
Financial charges for the year based on the effective interest rate	74,818

Financial fixed assets

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
2,047,508	2,925,008	- 877,500

This category includes equity investments and long-term receivables, the movements of which are shown in the tables below.

Movements in equity investments, other securities and derivative financial instruments held as fixed assets

	Equity investments in subsidiaries	Equity investments in other companies	Total shareholdings
Value at start of year			
Cost	2,568,794		2,568,794
Book value	2,568,794	0	2,568,794
Changes during the year			
Increases due to acquisitions		120,000	120,000
Decreases due to disposals (of book value)	880,000		880,000
Total changes	-880,000	120,000	-760,000
Value at end of year			
Cost	1,688,794	120,000	1,808,794
Book value	1,688,794	120,000	1,808,794

The decrease in equity investments in subsidiaries refers to RES s.r.l., which was merged by incorporation in 2020.

The increase in equity investments in other companies relates to the acquisition of 33% of IAMDEV Società tra Professionisti a r.l., a company operating in software production and development, an investment deemed strategic for the continuity and development of corporate operations.

Equity investments

Investments in subsidiaries and other companies recorded as fixed assets represent a long-term, strategic investment by the Company and are valued at purchase/subscription cost.

It is believed that, despite the Covid-19 epidemiological emergency, no indicators of impairment of the value of equity investments have emerged precisely because of their strategic nature and the complementary nature of the activities they carry out with respect to the Company's business; there were no cases of "reversal of value".

The following additional information is provided for investments in subsidiaries:

- the financial statements used for valuation purposes are the financial statements for the year, given that the dates of closure of the annual accounts of the Parent Company and the investee companies coincide;
- the exchange rate used for the Balance Sheet is that reported by the Bank of Italy as of December 31, 2020, whilst the average exchange rate for the year was used for the Income Statement.

Most of the subsidiaries close the 2020 financial year with a profit/break-even, with good performances, consolidating their market positions and investing significantly in both R&D and new products printing technologies to be always competitive in the market and provide their customers with targeted and quality services.

No non-current investments have undergone any changes in destination.

There are no restrictions on the availability of any investment by the participating company, nor are there any stock options or other privileges.

During the year, no investee company approved any paid or unpaid capital increases. No significant transactions, other than ordinary commercial transactions, were carried out with investee companies.

Changes in and maturity of long-term receivables

	Non-current receivables due from subsidiary undertakings	Long-term receivables due from associated undertakings	Non-current receivables due from others	Total long-term receivables
Value at start of year		287,500	68,714	356,214
Changes during the year	170,000	-287,500		-117,500
Value at end of year	170,000	0	68,714	238,714
Portion due within the year	170,000			170,000
Portion due after the end of the year	0		68,714	68,714
Of which with residual duration of more than 5 years				0

Receivables from subsidiaries include € 170,000 from STAR COMUNICACAO LTDA (amount corresponding to dividends to be collected).

Long-term receivables due from associated undertakings related to a short-term loan from Dante s.r.l., which was repaid during the year.

Other receivables refer to security deposits.

Details of long-term investments in subsidiaries

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share capital in €	Profit (loss) for the last financial year in €	Shareholders' equity in €	Share held in %	Book value or corresponding receivable	Shareholders' equity in € pro-quota
STAR7 PRINTING S.R.L.	ASTI	01495260059	10,000	99,265	582,138	60%	6,000	349,283
STAR COMUNICACÃO E SERVIÇOS LTDA	Brazil		320,704	642,824	1,928,924	75%	379,679	1,446,693
CAL COMUNICAÇÃO LTDA	Brazil		110,725	-5,701	18,115	75%	122,228	13,586
STAR7 ENGINEERING S.R.L.	MARANELLO (MO)	02436770065	40,000	261,647	1,027,497	100%	674,920	1,027,497
STAR7 AUSTRIA GMBH	Austria	ATU71651312	35,000	-4,846	36,126	100%	199,350	36,126
STAR USA LLC	USA		6,114	-246,288	-30,386	100%	292,474	30,386
AD STUDIO S.R.L.	LUGO (RA)	02552920395	10,000	45,327	107,023	100%	10,000	107,023
STAR ALBANIA SHPK	ALBANIA		4,106	19,192	19,526	100%	4,143	19,526
							1,688,794	2,969,348

Details of equity investments in other companies

Name	City, if in Italy, or foreign country	Tax code (for Italian companies)	Share capital in €	Profit (loss) for the last financial year in €	Shareholders' equity in €	Share held in %	Book value or corresponding receivable
IAMdev S.t.p. s.r.l	Montacchiello (PI)	02173930500	10,000	not avail.	not avail.	33%	120,000 120,000

In the case of equity investments carried at a value higher than the book value of shareholders' equity (investments in Cal Comunicacao Ltda, Star7 Austria GmbH and Star USA LLC), no impairment loss was deemed to have occurred, given that these are strategic investments and in view of the negative effects caused by the Covid-19 epidemic.

Breakdown of long-term receivables by geographical area

The breakdown of receivables as of December 31, 2020 according to geographical area is as follows (article 2427, paragraph 1, no. 6, Italian Civil Code):

- Brazil: € 170,000 (STAR COMUNICACAO LTDA);
- Italy: € 68,714.

CURRENT ASSETS

Inventories

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
17,284	52,478	35,194

Closing inventories are valued at the lower of purchase or production cost and estimated realizable value; the valuation criterion is unchanged from the previous year.

	Value at start of year	Changes during the year	Value at end of year
Finished products and goods	52,478	- 35,194	17,284
Total inventories	52,478	- 35,194	17,284

Current receivables

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
26,370,502	27,503,190	- 1,132,688

Changes in and maturity of receivables posted to current assets

	Value at start of year	Change during the year	Value at end of year	Portion due within the year	Portion due after the end of the year	Of which with residual duration of more than 5 years
Trade receivables included in current assets	21,781,998	- 1,365,391	20,416,607	20,416,607	-	-
Receivables from subsidiaries included in current assets	4,391,652	- 258,986	4,132,666	4,132,666	-	-
Receivables due from associates included in current assets	241,094	114,218	355,312	355,312	-	-
Tax receivables classified as current assets	720,389	71,135	791,524	791,524	-	-
Deferred tax assets posted to current assets	97,476	108,683	206,159	206,159	-	-
Receivables due from others included in current assets	270,581	197,653	468,234	468,234	-	-
Total receivables posted to current assets	27,503,190	- 1,132,688	26,370,502	26,370,502	-	-

The Company has exercised the option not to apply the amortized cost method to receivables in cases where the effects are immaterial, such as receivables due within 12 months; receivables are therefore valued at their estimated realizable value.

Relationships with associated companies (Dante s.r.l. and the various companies in the Star group) are also highlighted.

The item "Receivables from clients" includes € 512,537 relating to bills sold to the factoring company and the SBF.

Deferred tax assets have been provided for in fiscal year 2020; the amount as of 31/12/2019 of € 97,476 relates to advance IRES allocated in previous years on:

- allowance for doubtful accounts for the portion exceeding the tax-deductible limit;
- provision for sundry risks and charges.

In 2020, the amount was increased by €97,114 for costs not yet deducted for IRES purposes but to be recovered as a deduction in the amount of €404,640.

Tax credits include Research and Development tax credits for 2020 amounting to € 149,325. The amount refers to the benefit resulting from the incurring of costs classifiable as research and development in the period indicated above.

Amounts due from others, amounting to € 468,234, primarily include:

- 236,145 relating to the amount accrued for employee severance indemnities of the company SDS, the same amount was posted under liabilities in the item Severance indemnities. This line of business leased by Star7 for a period of three years and expiring in November 2020, has been extended for another year. At the end of the lease of the company branch and in case of return of the same to the company SDS srl, the amounts will be offset;
- 217,296 for costs incurred relating to the start of work on the construction of new offices in front of the company's headquarters; these works have been financed by means of a property lease and the above amount has therefore been transferred from tangible fixed assets in progress.

The tables below show receivables due from subsidiary and associated undertakings:

Receivables from subsidiaries	Current year
STAR USA LLC	3,939,040
AD STUDIO SRL	85,137
STAR COMUNICACAO E SERVICOS LTDA	49,833
STAR7 ENGINEERING SRL	26,086
STAR7 PRINTING SRL	29,659
TECHWORLD LANGUAGE SERVICES INC	2,891
STAR GMBH - AUSTRIA	21
	4,132,666

Receivables due from associated companies	Current year
STAR AG	118,785
DANTE SRL	89,414
STAR PARIS	55,987
STAR DEUTSCHLAND GMBH	50,970
STAR TECHNOLOGY SOLUTIONS	17,524
STAR JAPAN CO., LTD	7,394
STAR GROUP SCANDINAVIA AB	4,035
STAR GROUP AMERICA, LLC	3,809
STAR SA	3,673
STAR UK LIMITED	2,478
STAR Software, Translation, Artwork,	956
START SOFTWARE SHANGHAI CO. LTD	131
Star Information Services Ltd. Sti.	112
STAR SERVICIOS LINGUISTICOS	43
STAR CZECH S.R.O.	-
	355,312

Breakdown of receivables posted to current assets by geographical area

The breakdown of receivables as of December 31, 2020 by geographical area is shown in the following table (amounts shown gross of the allowance for doubtful accounts); art. 2427, first paragraph, no. 6, Civil Code).

	Italy	EU	Non EU	TOTAL
Trade receivables included in current assets	19,235,603	1,516,462	206,676	20,958,741
Receivables from subsidiaries included in current assets	140,882	21	3,991,763	4,132,666
Receivables due from associates included in current assets	89,414	133,301	132,597	355,312
Tax receivables classified as current assets	791,524			791,524
Deferred tax assets posted to current assets	206,159			206,159
Receivables due from others included in current assets	468,234			468,234
Total receivables posted to current assets	20,931,816	1,649,784	4,331,036	26,912,636

Movements in the allowance for doubtful accounts were as follows:

Balance as at 31-12-2019	457,747
Uses during the year	- 25,296
Provision for the year	109,683
Balance as at 31-12-2020	542,134

An analysis of the risks of uncollectible receivables showed that the allowance for doubtful accounts is adequate, also in light of the worsening of the general economic situation due to the Covid-19 epidemic.

Cash on hand

Balance as at 31/12/2020	as at 31/12/2019	Change
4,103,805	1,571,514	2,532,291

The details are as follows:

	Value at start of year	Change during the year	Value at end of year
Bank and postal deposits	1,568,153	2,535,241	4,103,394
Cash and other valuables on hand	3,361	- 2,950	411
Total cash and cash equivalents	1,571,514	2,532,291	4,103,805

The balance represents cash and cash equivalents and the existence of cash and valuables at the end of the fiscal year. Reference should be made to the Statement of Cash Flows for a quantitative analysis of the cash flows that generated the change in the period.

Accrued income and prepaid expenses

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
839,778	673,840	165,938

This item refers exclusively to prepaid expenses.

At 31/12/2020 there are prepaid expenses of € 445,642 with a duration of more than five years relating to the existing property lease and the maxi rent for the new building under construction.

This item can be broken down as follows (Article 2427, first paragraph, no. 7, Italian Civil Code).

	31/12/2020	31/12/2019	Change
Real estate leasing existing contract	135,437	164,398	- 28,961
Vehicle leasing	64,646		64,646
Mortgage due diligence costs	48,434		48,434
Other (telephone, insurance, fees, etc.)	591,261	509,442	81,819
Total	839,778	673,840	165,938

NOTES, LIABILITIES AND SHAREHOLDERS' EQUITY

Net equity

(Ref. art. 2427, first paragraph, no. 4, 7 and 7-bis, C.C.)

	Balance as at		
Balance as at 31/12/2020	31/12/2019	Change	
8,899,075	7,913,580	985,495	

Changes in shareholders' equity items

Description	31/12/2019	Allocation of the result		Other changes		Profit (loss) for the year	31/12/2020
		Dividends	Other uses	Increases	Decrease		
Share capital	500,000						500,000
Legal reserve	100,000						100,000
Other reserves:							
Special reserve	5,944,512		1,346,901				7,291,413
Capital contributions	2,846						2,846
Misc. other reserves	19,321						19,321
Total other reserves:	5,966,679		1,346,901				7,313,580
Reserve for transactions to hedge expected cash flows					36,632		36,632
Profit (loss) for the year	1,346,901		1,346,901			1,022,127	1,022,127
Total Owners' Equity	7,913,580				36,632	1,022,127	8,899,075

Details of the various other reserves

Description	Amount
Amnesty reserve	19,321
Total	19,321

Availability and use of shareholders' equity

Shareholders' equity items are broken down according to origin, possibility of utilization, distributability and utilization in the previous three years as follows (article 2427, paragraph 1, no. 7-bis, of the Italian Civil Code)

	Amount	Origin/nature	Possible uses	Amount available	Summary of uses made in the three previous years	
					to cover losses	for other reasons
Capital	500,000		B			
Legal reserve	100,000		A, B			
Other reserves						
Special reserve	7,291,413		A, B, C, D	7,291,413		1,100,000
Capital contributions	2,846		A, B, C, D	2,846		
Misc. other reserves	19,321		A, B, C, D	19,321		
Total other reserves	7,313,580			7,313,580		1,100,000
Reserve for transactions to hedge expected cash flows						
Total	7,913,580			7,313,580		1,100,000
Non-distributable portion				0		
Residual distributable amount				7,313,580		

Legend: A: for capital increase B: for coverage of losses C: for distribution to shareholders D: for other statutory constraints E: other

It should be borne in mind that a portion of net income for 2020, amounting to 380,136 euros, corresponding to the lower amortization and depreciation charged to the income statement under the suspension/reduction option pursuant to art. 60 of Legislative Decree no. 104/2020, must be allocated to unavailable reserves.

Formation and use of shareholders' equity items

As required by article 2427, paragraph 1, number 4) of the Italian Civil Code, the following information is provided (changes during the last two years):

Share capital	Legal reserve	Extraordinary reserve	Reserve Law 289/2002	Capital contribution	Reserve for transactions to hedge expected cash flows	Profit (loss) for the year	TOTAL
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At the beginning of the previous year	500,000	100,000	4,671,135	19,321	2,846		1,673,377	6,966,679
Allocation of the result for the year:								
allocation of dividends							- 400,000	- 400,000
other uses			1,273,377				- 1,273,377	
Other changes								
increases								
decreases								
Previous year's result							1,346,901	1,346,901
At the end of the previous year	500,000	100,000	5,944,512	19,321	2,846		1,346,901	7,913,580
Allocation of the result for the year:								
allocation of dividends								
other uses			1,346,901				- 1,346,901	
Other changes								
increases								
decreases						- 36,632		- 36,632
Result for the current year							1,022,127	- .022,127
At the end of the current financial year	500,000	100,000	7,291,413	19,321	2,846	- 36,632	1,022,127	8,899,075

In equity, the following items are present:

Reserves or other funds which, in the event of distribution, do not form part of the shareholders' taxable income regardless of the period of formation:

Description	Amount
Capital contributions	2,846
Total	2,846

Provisions for risks and charges

(Ref. art. 2427, first paragraph, no. 4, C.C.)

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
264,266	100,930	163,336

	Provision for pensions and similar obligations	Provision for taxes, including deferred taxes	Financial derivative liabilities	Other provisions	Total provisions for contingencies and charges
Value at start of year	50,930			50,000	100,930
Changes during the year					
Provision for the year	40,000	75,135	48,201		163,336
Use during the year					0
Other changes					0
Total changes	40,000	75,135	48,201	0	163,336
Value at end of year	90,930	75,135	48,201	50,000	264,266

Provisions for risks and charges are made up as follows:

- provision for Directors' Severance Indemnity equal to € 90,930;
- mark-to-market of € 48,201 of hedging interest rate swaps, relating to a loan disbursed in 2019 by Intesa Sanpaolo for € 3,000,000 and a loan disbursed in 2020 by Credit Agricole for € 2,250,000, as a balancing entry to the reserve for hedging transactions of expected cash flows (item A.VII of equity). The related deferred tax assets of € 11,568 have been calculated;
- a risk provision of €50,000 set aside in previous years for commercial risks and prudently maintained;
- provision for deferred taxes, which corresponds to the tax savings from lower current taxes in 2020, deriving mainly from the unrecognized amortization of intangible assets (€ 261,991), deducted, however, for tax purposes. Deferred taxes are calculated applying the overall rate of 27.9% (IRES and IRAP).

Employee severance indemnity

(Ref. art. 2427, first paragraph, no. 4, C.C.)

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
2,583,457	1,892,901	690,556

Changes during the year are shown in the following table:

	Employee severance indemnity
Value at start of year	1,892,901
Changes during the year	
Provision for the year	547,562
Use during the year	-171,318
Other changes	314,312
Total changes	690,556
Value at end of year	2,583,457

The allowance represents the actual debt accrued to employees in accordance with the law and current labor contracts, taking into account all forms of remuneration of an ongoing nature.

The provision corresponds to the total of the individual indemnities accrued up to 31 December 2020 in favour of employees at the closing date of the financial statements, net of advances paid, and is equal to the amount that would have been payable to employees if they had terminated their employment on that date.

The fund does not include allowances accrued as of January 1, 2007, allocated to supplementary pension schemes pursuant to Legislative Decree no. 252 of December 5, 2005.

The other changes correspond to the provision for severance indemnities arising from the acquisition of the business unit from Dante s.r.l. and the merger of RES s.r.l..

Payables

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
26,375,047	25,247,529	1,127,518

Changes and maturity of payables

The maturity of payables is broken down as follows (article 2427, first paragraph, no. 6, Civil Code).

	Value at start of year	Change during the year	Value at end of year	Portion due within the year	Portion due after the end of the year	Of which with residual duration of more than 5 years
Borrowings from banks	17,025,731	- 141,102	16,884,629	6,581,222	10,303,407	1,485,947
Borrowings from other lenders		61,054	61,054	61,054		
Trade payables	3,629,410	- 200,065	3,429,345	3,429,345		
Due to subsidiaries	1,694,685	1,009,164	2,703,849	2,703,849		
Payables to associated companies	547,230	496,485	1,043,715	1,043,715		
Tax payables	730,499	- 408,274	322,225	322,225		
Payables to social security institutions	401,054	233,428	634,482	634,482		
Other payables	1,218,920	76,828	1,295,748	1,295,748		
TOTAL PAYABLES	25,247,529	1,127,518	26,375,047	16,071,640	10,303,407	1,485,947

The most significant payables as of 31/12/2020 are as follows:

- the amount due to banks includes the residual payables for two medium-term loans granted by Intesa Sanpaolo for a total of 4,026,639 euros, two medium-term loans granted by Unicredit for a total of 2,201,050 euros, two medium-term loans granted by Credit Agricole for a total of 3,750,000 euros, two medium-term loans granted by BPM for a total of 2,000,000 euros, and one medium-term loan granted by Banca Sella for 1,000,000 euros; also includes short-term loans granted by various banks relating to invoices transferred to the Factor company (€ 289,115), to invoice advance accounts and to "hot money" loans, all short-term loan transactions used by the company to cover very short-term needs;

- amounts due to other financial institutions for loans of capital goods;

- payables due to suppliers amounting to € 3,830,157, the Company has exercised the option not to use the amortized cost method and/or not to discount payables as the due date does not extend beyond one year; these payables are therefore recorded at their nominal value, which reasonably approximates their extinguishing value;

- tax payables amounting to € 322,225 relating to withholding tax withheld as withholding agent.

As far as bank loans are concerned, the Company has benefited from the moratorium introduced by the legislation against the Covid-19 epidemic emergency, from Decree Law 23/2020 (Liquidity Decree) onwards. The amount of the capital shares subject to the benefit totals €705,471 in 2020. As the moratorium did not entail any change in contractual conditions or in the interest rates applied, which are in line with market rates, the amortized cost method was not applied to these loans, partly because the effects would not be significant. The Company has obtained the SACE / Mediocredito guarantee provided for by the Covid-19 epidemiological emergency regulations on the following loans:

	Amount	Warranty
UNICREDIT LOAN	2,000,000	SACE
CREDIT AGRICOLE LOAN	2,250,000	MEDIOCREDITO
BANCA SELLA LOAN	1,000,000	FEI FUND
INTESA SANPAOLO LOAN	1,650,000	MEDIOCREDITO
BPM MORTGAGE	500,000	MEDIOCREDITO
BPM MORTGAGE	1,500,000	MEDIOCREDITO
TOTAL	8,900,000	

The tables below show amounts due to subsidiary and associated undertakings:

Payables to subsidiaries	Current year
STAR7 PRINTING SRL	2,321,146
STAR7 ENGINEERING SRL	341,568
STAR ALBANIA SH.P.K	30,000
TECHWORLD LANGUAGE SERVICES INC	10,243
STAR GMBH	893
	2,703,849

Techworld Language Services Inc. is indirectly controlled through STAR USA LLC.

Payables to associated companies	Current year
STAR AG	340,882
DANTE SRL	375,023
STAR CZECH S.R.O.	40,260
STAR SERV.LINGUISTICOS LDA	48,727
STAR PREVAJALSKE STORITVE D.O.O Ljubljana	31,606
STAR SOFTWARE SHANGHAI CO. LTD	30,179
STAR POLAND EURO	30,360
STAR INFORMATION ENGINEERING S.L.	21,769
STAR HUNGARY KFT	20,153
STAR JAPAN TOKYO	15,425
STAR Information Services & Tools S.R.L.	14,124
STAR GROUP SCANDINAVIA AB	11,229
STAR UK LIMITED	9,926
STAR SPB - RUSSIA	8,726
STAR GROUP AMERICA LLC	7,596
STAR AG TAIWAN BRANCH	7,586
IAMDEV STP SRL	6,926
STAR KOREA AG	4,556
STAR TURCHIA INF.SERVICES LTD STI	3,428
STAR DO BRASIL LOCALIZACAO E TECNOLO	3,110
STAR SOFTWARE INDONESIA	2,261
STAR SERVICIOS LINGUISTICOS	1,887
STAR EGITTO MIDDLE EAST LTD CAIRO	1,708
STAR POLONIA ZLOTY	1,555
STAR J&M FINNLAND OY	1,367
STAR TRANSLATION & SOFTWARE THAILAND CO.,	1,054
STAR PARIS	569
STAR TECHNOLOGY SOLUTIONS	530
GRAFICA E EDITORA STARCOM LTDA	214
STAR CO., LTD	118
STAR SA	110
STAR DEUTSCHLAND GMBH	750
	1,043,715

Breakdown of payables by geographical area

The breakdown of payables as of 31/12/2020 by geographical area is shown in the table below (article 2427, paragraph 1, no. 6 of the Italian Civil Code).

	Italy	EU	Non EU	TOTAL
Borrowings from banks	16,884,629			16,884,629
Borrowings from other lenders	48,697	12,357		61,054
Trade payables	2,991,924	232,593	204,828	3,429,345
Due to subsidiaries	2,662,714	893	40,242	2,703,849
Payables to associated companies	382,724	224,341	436,650	1,043,715
Tax payables	322,225			322,225
Payables to social security institutions	634,482			634,482
Other payables	1,295,748			1,295,748
TOTAL PAYABLES	25,223,143	470,184	681,720	26,375,047

Debts backed by collateral on company assets

There are no payables secured by collateral on corporate assets (article 2427, paragraph one, no. 6, of the Italian Civil Code).

Bank loans are backed by: a SACE guarantee for a loan of 2,000,000 euros and Mediocredito guarantees for 4,720,000 euros (subsidized loans for 5,900,000 euros), issued pursuant to Law Decree 23/2020 and the subsequent Covid-19 legislation.

Accrued expenses and deferred income

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
351,845	16,696	335,149

	Value at start of year	Change during the year	Value at end of year
Accrued expenses	16,696	3,524	20,220
Deferred income	-	331,625	331,625
Total accrued expenses and deferred income	16,696	335,149	351,845

The details are as follows:

	31/12/2020	31/12/2019	Change
Accrued expenses			
others	20,220	16,696	3,524
Deferred income:			
revenues for services pertaining to the following year	331,625		331,625
Total	351,845	16,696	335,149

Accrued expenses represent charges made on the credit card in December but charged to the checking account in January, employee expense reports, and bank fees.

Deferred income relates to invoices issued in advance in 2020 but related to activities that will be performed in 2021

As of 31/12/2020 there are no accruals or deferrals with a duration of more than five years.

EXPLANATORY NOTES, INCOME STATEMENT

Value of production

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
34,781,507	41,120,475	- 6,338,968

Description	31/12/2020	31/12/2019	Change
Revenues from sales and services	34,191,076	39,887,939	-5,696,863
Change in inventories of work in progress, semi-finished and finished products	-35,194	-82,566	47,372
Other revenues and income			
grants related to income	248,413	707,622	-459,209
others	377,212	607,480	-230,268

Total other revenues and income	625,625	1,315,102	-689,477
Total Value of Production	34,781,507	41,120,475	-6,338,968

The change is closely related to the information provided in the Report on Operations and is affected by the negative effects of the Covid-19 epidemic.

Other revenues and income" include € 248,413 in operating grants relating to

- Tax credit for research and development amounting to 149,325 euros, recorded in the 2020 financial statements in the income statement for the entire period of reference, similar in substance to operating grants, given the recognition in the income statement of all the underlying subsidised expenses. Operating grants are components that result in a reduction in the costs and expenses of core business activities. They are posted to item A5 "Other revenues and income" in the Income Statement, on an accruals basis and in the period in which the right to receive them arises with certainty.
- Grant pursuant to art.1 DL 137/2020 and DL 149 Ristori Bis for Euro 90.553
- Contributions for sanitization expenses pursuant to Legislative Decree no. 34/2020 Decree of Relaunch and other minor euros 8,535.

Other revenues do not include grants awarded to the Company under provisions issued by public entities following the Covid-19 epidemic.

Other income includes out-of-period income for the rebate of the 2019 IRAP balance (art. 24 of Decree Law 34/2020 "Relaunch") for 105,451 euros

Breakdown of revenues from sales and services by category of activity

(Ref. art. 2427, first paragraph, no. 10, C.C.)

Description	Current year value
Business sector	
Services	34,191,076
Total	34,191,076

Breakdown of revenues from sales and services by geographical area

(Ref. art. 2427, first paragraph, no. 10, C.C.)

Geographical area	Current year value
Italy	30,170,442
EU	2,848,466
Non EU	1,172,168
Total	34,191,076

Cost of production

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
33,445,070	39,054,955	- 5,609,885

Description	31/12/2020	31/12/2019	Change
Raw and ancillary materials and goods	1,215,359	1,005,950	209,409
Services	19,515,139	25,500,866	- 5,985,727
Leased assets	691,449	687,693	3,756
Wages and salaries	7,537,213	7,759,416	- 222,203
Social security contributions	2,334,828	2,311,466	23,362
Employees' leaving entitlement	547,562	434,948	112,614
Pensions and similar obligations	-	-	-
Other personnel costs	105,494	63,322	42,172
Amortisation	503,468	513,156	- 9,688
Depreciation	155,807	127,613	28,194
Other write-downs of fixed assets	-	-	-
Write-downs of receivables in current assets	109,683	-	109,683
Change in inventories Raw materials	-	-	-
Provisions for risks	40,000	25,465	14,535
Other provisions	-	-	-

Sundry operating expenses	689,068	625,060	64,008
Total	33,445,070	39,054,955	- 5,609,885

Cost of raw materials, ancillary materials, consumables and goods for resale and Cost of services

They are closely related to the information provided in the section of the Report on Operations and the performance of Item A (Value of Production) of the Income Statement.

Personnel costs

This item includes all expenses for employees, including merit payments, changes in category, contingency payments, the cost of unused vacation time and provisions pursuant to legislation and collective labour agreements. It should be noted that in 2020 the Company made use of the social shock absorbers envisaged by the regulations issued under art. 19-21 of Law Decree 18/2020 to counter the negative effects brought about by the Covid-19 epidemic emergency. The use of the wage supplementation allowance was verified in the early months of the current year by the GDF without any findings, having correctly complied with the provisions of the Law.

Amortization of intangible and tangible fixed assets

Depreciation/amortisation has been calculated on the basis of the useful life of the assets and their participation in the production phase. Reference should be made to the notes on intangible and tangible fixed assets for any suspensions/reductions in amortization as a result of the Covid-19 epidemiological emergency.

Financial income and charges

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
- 16,354	147,507	- 163,861

Description	31/12/2020	31/12/2019	Change
Dividends from investee companies	170,000	300,000	- 130,000
Income other than the above	3,490	293	3,197
Interest payable and other financial charges	- 188,364	- 147,606	- 40,758
Exchange gains (losses)	- 1,480	- 5,180	3,700
Total	- 16,354	147,507	- 163,861

Investment income relates to dividends from the Brazilian subsidiary Star Comunicacao (dividends in 2019 have been received, while those recognized in 2020 are recorded under long-term receivables).

Breakdown of interest and other financial expense by type of debt

Description	31/12/2020	31/12/2019	Change
Borrowings from banks	186,603	136,732	49,871
Others	1,761	10,873	- 9,112
Total	188,364	147,605	40,759

Description	31/12/2020
Interest payable on current accounts and on advances	135,533
Interest payable on loans	51,070
Interest due to suppliers	324
Interest payable to tax authorities	1,437
Total	188,364

Other financial income

Description	31/12/2020	31/12/2019	Change
Bank and post office interest	412	291	121
Others	3,078	2	3,076

Total	3,490	293	3,197
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Value adjustments to financial assets and liabilities

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

Information on the fair value of derivative financial instruments

Reference should be made to the provisions for risks and charges.

Current, deferred and prepaid income taxes for the year

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
297,956	866,126 -	568,170

Description	31/12/2020	31/12/2019	Change
Current taxes:	319,934	684,229	-364,295
IRES	284,376	449,903	-165,527
IRAP	35,558	234,326	-198,768
Prior year taxes	0	181,897	-181,897
Deferred tax liabilities (assets):	-21,978	0	-21,978
Deferred IRES/IRAP arising during the year	75,135	0	75,135
Prepaid IRES/IRAP arising during the year	-97,113	0	-97,113
Total	297,956	866,126 -	568,170

Taxes for the year have been recorded.

The Company benefited from the rebate:

- the 2019 IRAP balance (art. 24 of Decree Law 34/2020 "Relaunch") amounting to 105,451 euros, recorded among contingent assets;
- the first IRAP 2020 advance payment of 46,144 euros, therefore the current IRAP of 35,558 euros is recorded net of the first 2020 advance payment rebated.

Taxes from previous years refer to the repayments made following the acceptance of the GDF PVC dated 27/06/2019.

Deferred tax assets/liabilities

Deferred tax assets were recorded in 2020 (€ 97,113) for costs not yet deducted for IRES purposes but to be recovered through deduction, amounting to € 404,640, and on the mark-to-market of expected cash flow hedges (see the note on provisions for risks and charges).

Deferred taxes correspond to the tax savings for lower current taxes in FY 2020, resulting primarily from unrecognized amortization of intangible assets (€ 261,991), which was, however, deducted for tax purposes. Deferred taxes are calculated by applying the overall rate of 27.9% (IRES and IRAP).

EXPLANATORY NOTES, CASH FLOW STATEMENT

With regard to the Cash Flow Statement, the following should be noted:

- other increases for non-monetary items, without a balancing entry in net working capital (€ 389,447), include employee severance indemnities deriving from the acquisition of the business unit from Dante s.r.l. and the merger of Res s.r.l. (€ 314,312) and provisions for deferred taxation (€ 75,135);
- other changes in net working capital (€ 1,705,301) are adjusted for the reclassification from tangible fixed assets in progress of € 235,715, as this amount did not involve any cash outlays during the year as it originated in previous years;
- investment in intangible fixed assets, especially goodwill, was reduced by € 880,000 as this amount, corresponding to the purchase price of the holding in Res s.r.l., was paid in previous years and did not give rise to any cash outlays during the year.

NOTES TO THE FINANCIAL STATEMENTS, OTHER INFORMATION

Employment figures

The average number of staff, broken down by category, underwent the following changes with respect to the previous year:

Staff	31/12/2020	31/12/2019	Change	Average number
Executives	2	2	-	2
Middle managers	8	8	-	8
Office workers	271	227	44	249
Manual workers	2	2	-	2
Others	-	-	-	-
	<u>283</u>	<u>239</u>	<u>44</u>	<u>261</u>

The national employment contract applied is that for the commerce, tertiary, distribution and services sector.

Fees, advances and credits granted to directors and statutory auditors and commitments undertaken on their behalf

	Administrators	Statutory auditors
Fees	602,970	17,500

Directors' fees include €20,112 relating to the Board of Directors of RES s.r.l. for the period prior to the merger.

Fees to the statutory auditor or auditing company

In accordance with the law, the fees for the year for services provided by the Independent Auditors and by entities belonging to their network are shown:

	Value
Legal audit of annual accounts	15,500
Total fees payable to the statutory auditor or auditing firm	15,500

Categories of shares issued by the company

The share capital is made up as follows (article 2427, first paragraph, no. 17 and 18, Civil Code).

Stocks/Quotas	Number	Nominal value in Euro
Ordinary Shares	500,000	1
Total	500,000	

Commitments, guarantees and contingent liabilities not shown on the balance sheet

These are the lease installments due on the two property leases.

	Amount
Commitments	1,149,973
Total	1,149,973

Letters of patronage were issued in favour of the subsidiary Star7 Printing s.r.l..

Information on transactions with related parties

Our company is 50% owned by the Swiss-based company Star AG and has investments in subsidiaries in Italy and abroad; during 2020 only commercial transactions were conducted on an arm's length basis. The short-term loan disbursed to the associate DANTE S.r.l. in 2019 was repaid in 2020 (€ 287,500). During the year, only commercial relationships at market conditions were maintained with the associated companies DANTE S.r.l. and STAR AG. Turnover for services rendered by DANTE S.r.l. amounted to EUR

546,082 and related to consulting in the areas of finance, technical management, human resources, marketing, external relations and insurance consulting. Turnover from services rendered to STAR AG during the year amounted to 118,785 euros, while services received from STAR AG during the year amounted to 336,632 euros.

Details of other financial instruments issued by the company

(Ref. art. 2427-bis, first paragraph, no. 1, C.C.)

The Company has not issued any derivative financial instruments.

Information on assets and financing allocated to a specific business

Not applicable.

Information on agreements not shown in the balance sheet

(Ref. art. 2427, first paragraph, no. 22-ter, Italian Civil Code)

The company has no agreements in place that are not reflected in the Balance Sheet

Information on significant events after the end of the financial year

Following the closure of the year, activities linked to the process of listing on AIM Italia continued, entailing a series of checks (fiscal, tax, legal, financial, contractual, etc.) by the auditors and consultants appointed by the Company.

The persistence of the Covid-19 epidemiological emergency should be highlighted, and at the time of writing this Annual Report, almost the entire national territory is once again in lock-down (red zone) to face the emergency, which is worsening also due to the virus mutations, despite the fact that the vaccination campaign has been underway since the first days of 2021.

This persistence of emergency does not result in adjustments for subsequent events to budget balances: in this regard, in drawing up these Financial Statements, the Management Body took account of the worsening of the general economic situation caused by the emergency, above all with regard to the collectability of trade receivables, but did not make use of any of the derogations to the reference Accounting Standards permitted by the emergency legislation (Law Decree 18/2020 "Cure Italy", Law Decree 23/2020 "Liquidity", Law Decree 34/2020 "Relaunch", Law Decree 104/2020 "August" and subsequent "Ristori" Decrees) above all with regard to business continuity, with the exception of the suspension/reduction of amortization on certain categories of intangible fixed assets.

With reference to the audit by the Alessandria Revenue Agency started in January 2020 and relating to the tax periods 2017-2018, concerning the use in compensation of the tax credit for research and development activities pursuant to art. 3, paragraph 1, Law Decree no. 145 of 23/12/2013 and subsequent amendments and additions, it should be noted that to date there is no further information on the matter.

Information pursuant to art.1, paragraph 125 of Law August 4, 2017 n.124

It should be noted that income from tax credits for research and development activities pursuant to Legislative Decree 145/2013 has been recorded for a total of € 149,325 to be applied to the 2020 financial year. Income of €707,622 had been recognized under this heading in 2019. In addition, non-refundable contributions were recorded pursuant to art.1 DL 137/2020 and DL 149 Ristori Bis for 90,553 Euros and contributions for sanitization expenses pursuant to DL.34/2020 Decreto Rilancio and other minors for 8,535 Euros.

Firms that prepare the financial statements of the larger/smaller set of firms to which you belong as a subsidiary

Pursuant to the law, we provide the information required by Article 2427, first paragraph, no. 22 quinquies and sexies) of the Italian Civil Code.

	Better together
Company Name	STAR AG
City (if in Italy) or foreign country	SWITZERLAND
Tax code (for Italian companies)	CHE- 02.892.540
Place of filing of the consolidated financial statements	SWITZERLAND

Proposed allocation of profits or coverage of losses

Whereas:

- a portion of net income for 2020, corresponding to the lower amortization charged to the income statement under the suspension/reduction option pursuant to art. 60 of Law Decree no. 104/2020, must be allocated to unavailable reserves;
- it is not possible to distribute dividends as the Company has obtained a SACE guarantee on some loans;

it is proposed to the Shareholders' Meeting that the profit for the year be allocated as follows:

Operating result as at 31/12/2020	Euro	1,022,127
5% to legal reserve	Euro	-
to unavailable reserve art. 60 of Law Decree no. 104/2020	Euro	390,003
to extraordinary reserve	Euro	632,124
to dividend	Euro	-

These notes have been prepared in accordance with the provisions of the Italian Civil Code and accounting standards. In order to comply with publication requirements in the Companies Register, once approved, it will be converted to XBRL format; therefore, there may be some formal changes necessary to make this note compatible with the filing format.

These financial statements, which comprise the Balance Sheet, Income Statement, Notes to the Financial Statements and Cash Flow Statement, present a true and fair picture of the Company's financial position and results of operations for the period, and correspond to the underlying accounting records.

Valle San Bartolomeo, April 19, 2021

Chairman of the Board of Directors
Lorenzo Mondo

STAR7 S.P.A.

Consolidated Financial Statements as at 31-12-2020

ID data	
Headquarters in	ALESSANDRIA
Tax ID No	01255170050
REA Index number	AL 208355.
VAT No.	01255170050
Share capital in Euro	500,000
Legal form	COMPANY LIMITED BY SHARES (SPA)
Company in liquidation	no
Single member company	no
Company subject to management and coordination by another party	no
Group membership	no
Name of the parent company	STAR7 S.P.A.
Country of the parent company	ITALY

Consolidated Balance Sheet

	31-12-2020	31-12-2019
Balance sheet		
Assets		
B) Fixed assets		
I - Intangible fixed assets		
1) start-up and expansion costs	638,294	805,412
3) industrial patent rights and intellectual property rights	-	20,901
4) industrial patents and intellectual property rights	1,330,619	293,601
5) goodwill	4,805,043	4,053,867
6) assets under development/construction and payments on account	668,223	184,667
7) others	863,321	451,656
Total intangible assets	8,305,500	5,810,104
II - Property, plant and equipment		
1) land and buildings	2,017,589	2,052,863
2) plant and machinery	2,278,378	935,470
3) industrial and commercial equipment	135,761	605,133
4) other assets	955,913	721,511
5) assets under development/construction and payments on account	-	235,715
Total property, plant and equipment	5,387,641	4,550,692
III - Financial fixed assets		
1) equity investments		
a) subsidiaries	0	0
b) associates	133,016	18,831
Total equity investments	133,016	18,831
2) receivables		
a) from subsidiaries		
due after the next financial year	224,199	-
Total receivables from subsidiaries	224,199	-
b) from associates		
due within the next financial year	-	287,500
due after the next financial year	55,519	-
Total receivables from associated companies	55,519	287,500
d-bis) from others		
due after the next financial year	99,123	104,687
Total receivables from others	99,123	104,687
Total receivables	378,841	392,187
Total financial fixed assets	511,857	411,018
Total fixed assets (B)	14,204,998	10,771,813
C) Current assets		
I - Inventories		
1) raw and ancillary materials and consumables	457,877	75,629
4) finished products and goods	276,974	582,938
Total inventories	734,851	658,567
II - Receivables		
1) from customers		
due within the next financial year	23,577,315	25,785,457
Total trade receivables	23,577,315	25,785,457
2) from subsidiaries		
due within the next financial year	15,875	311,386

Total receivables from subsidiaries	15,875	311,386
3) from associates		
due within the next financial year	355,312	277,328
Total receivables from associated companies	355,312	277,328
5-bis) tax receivables		
due within the next financial year	1,617,032	1,767,172
due after the next financial year	-	0
Total tax receivables	1,617,032	1,767,172
5-ter) prepaid taxes	420,594	149,320
5-quater) from others		
due within the next financial year	626,640	359,289
due after the next financial year	-	0
Total receivables from others	626,640	359,289
Total receivables	26,612,768	28,649,952
IV - Cash on hand		
1) bank and postal deposits	5,991,502	3,402,622
3) cash and cash equivalents	5,017	9,981
Total cash and cash equivalents	5,996,519	3,412,603
Total current assets (C)	33,344,138	32,721,122
D) Accruals and deferrals	873,399	787,255
Total Assets	48,422,535	44,280,190
Liabilities		
A) Net equity attributable to owners of the Parent		
I - Capital	500,000	500,000
IV - Legal reserve	100,000	100,000
VI - Other reserves, indicated separately		
Special reserve	7,291,413	5,944,512
Capital contributions	2,846	2,846
Consolidation reserve	1,765,173	834,702
Reserve from translation differences	(822,498)	1,375
Misc. other reserves	19,321	19,321
Total other reserves	8,256,255	6,802,756
VII - Reserve for transactions to hedge expected cash flows	(39,839)	-
IX - Profit (loss) for the year	1,493,286	2,351,550
Total equity attributable to owners of the parent	10,309,702	9,754,306
Minority interests		
Capital and reserves attributable to minority interests	521,609	574,093
Profit (loss) attributable to minority interests	191,832	151,776
Total equity attributable to minority interests	713,441	725,869
Total consolidated net equity	11,023,143	10,480,175
B) Provisions for risks and charges		
1) pensions and similar obligations	90,930	50,930
2) for taxes, including deferred taxes	225,525	57,203
3) financial derivative liabilities	53,546	-
4) others	164,425	50,000
Total provisions for risks and charges	534,426	158,133
C) Employee severance indemnity	3,280,750	2,644,612
D) Payables		
4) borrowings from banks		
due within the next financial year	8,484,519	16,875,076
due after the next financial year	11,675,197	2,386,364

Total due to banks	20,159,716	19,261,440
5) borrowings from other lenders		
due within the next financial year	344,702	85,557
due after the next financial year	1,814,533	1,149,973
Total borrowings from other lenders	2,159,235	1,235,530
6) advances		
due within the next financial year	-	1,760
Total advances	-	1,760
7) trade payables		
due within the next financial year	5,582,035	5,662,147
Total trade payables	5,582,035	5,662,147
9) payables to subsidiaries		
due within the next financial year	7,857	50,333
Total payables to subsidiaries	7,857	50,333
10) payables to associated companies		
due within the next financial year	1,102,286	665,133
Total payables to associated companies	1,102,286	665,133
12) tax payables		
due within the next financial year	583,132	1,197,567
Total taxes payable	583,132	1,197,567
13) due to social security institutions		
due within the next financial year	840,852	655,185
Total payables to social security institutions	840,852	655,185
14) other payables		
due within the next financial year	1,956,470	1,995,925
Total other payables	1,956,470	1,995,925
Total Payables	32,391,583	30,725,020
E) Accruals and deferrals	1,192,633	272,250
Total Liabilities	48,422,535	44,280,190

Consolidated income statement

	31-12-2020	31-12-2019
Income Statement		
A) Value of production		
1) revenues from sales and services	43,460,628	51,126,324
2) change in inventories of work in progress, semi-finished and finished products	(205,116)	153,923
5) other revenues and income		
grants related to income	666,070	1,574,604
others	683,567	858,817
Total other revenues and income	1,349,637	2,433,421
Total Value of Production	44,605,149	53,713,668
B) Cost of production		
6) raw and ancillary materials, consumables and goods	2,994,114	3,585,846
7) services	19,108,749	23,302,207
8) use of third party assets	1,426,375	1,428,090
9) personnel		
a) wages and salaries	11,489,329	14,113,946
b) social security contributions	3,530,881	3,520,151
c) employees' leaving entitlement	798,697	674,104
d) other costs	117,925	335,216
Total personnel costs	15,936,832	18,643,417
10) amortisation, depreciation and writedowns		
a) amortisation of intangible fixed assets	1,101,567	981,101
b) depreciation of tangible fixed assets	585,053	718,021
d) writedowns of receivables included in current assets and cash equivalents	129,992	13,120
Total amortisation, depreciation and write-downs	1,816,612	1,712,242
11) changes in inventories of raw, ancillary and consumable materials and goods	(236,629)	(25,791)
12) provisions for risks	40,000	25,465
14) sundry operating expenses	994,382	834,048
Total Costs of Production	42,080,435	49,505,524
Difference between value and cost of production (A - B)	2,524,714	4,208,144
C) Financial income and charges		
16) other financial income		
d) income other than the above		
others	19,634	38,541
Total income other than the above	19,634	38,541
Total other financial income	19,634	38,541
17) interest and other financial expense		
others	335,543	280,650
Total interest and other financial expense	335,543	280,650
17-bis) foreign exchange gains and losses	(1,802)	(5,769)
Total financial income and expense (15 + 16 - 17 + - 17-bis)	(317,711)	(247,878)
D) Value adjustments to financial assets and liabilities		
18) write-backs		
a) equity investments	16,614	-
Total writebacks	16,614	-
19) write-downs		
a) equity investments	90,203	-
Total write-downs	90,203	-
Total value adjustments of financial assets and liabilities (18 - 19)	(73,589)	-

Profit (loss) before tax (A - B + - C + - D)	2,133,414	3,960,266
20) Current, deferred and prepaid income tax for the year		
current taxes	576,914	1,260,935
prior year taxes	-	181,897
Deferred tax assets and liabilities	(128,618)	14,108
Total current and deferred income tax assets and liabilities	448,296	1,456,940
21) Consolidated net income (loss) for the year	1,685,118	2,503,326
Result attributable to the group	1,493,286	2,351,550
Profit (loss) attributable to minority interests	191,832	151,776

Consolidated cash flow statement, indirect method

	31-12-2020	31-12-2019
Cash flow statement, indirect method		
A) Cash flow from operating activities (indirect method)		
Profit (loss) for the year	1,685,118	2,503,326
Income taxes	448,296	1,456,940
Interest expense/(income)	315,909	242,109
(Gains)/Losses from disposal of assets	30,953	-
1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses on disposal	2,480,276	4,202,375
Adjustments for non-cash items that did not have a balancing entry in net working capital		
Provisions	838,697	699,569
Depreciation/amortisation of fixed assets	1,686,620	1,699,122
Value adjustments to financial assets and liabilities of derivative financial instruments not involving monetary movements	73,590	-
Total adjustments for non-monetary items that did not have a balancing entry in net working capital	2,598,907	2,398,691
2) Cash flow before changes in net working capital	5,079,183	6,601,066
Change in net working capital		
Decrease/(Increase) in inventories	(76,284)	(100,077)
Decrease/(Increase) in trade receivables	2,208,143	(5,325,293)
Increase/(Decrease) in trade payables	(80,112)	(1,641,208)
Decrease/(Increase) in accrued income and prepaid expenses	(86,144)	(281,818)
Increase/(Decrease) in accrued expenses and deferred income	920,382	(241,880)
Other decreases/(Other increases) in net working capital	(639,159)	(120,302)
Total change in net working capital	2,246,826	(7,710,578)
3) Cash flow after changes in net working capital	7,326,009	(1,109,512)
Other adjustments		
Interest received/(paid)	(315,909)	(242,109)
(Income taxes paid)	(448,296)	(1,456,940)
(Use of provisions)	(281,796)	(227,517)
Total other adjustments	(1,046,001)	(1,926,566)
Cash flow from operating activities (A)	6,280,008	(3,036,078)
B) Cash flow from investment activities		
Property, plant and equipment		
(Investments)	(1,974,827)	(1,138,472)
Divestments	621,645	59,130
Intangible fixed assets		
(Investments)	(3,822,507)	(733,607)
Financial fixed assets		
(Investments)	(394,154)	(343,507)
Divestments	287,500	-
(Acquisition of subsidiaries net of cash and cash equivalents)	-	(3,065,933)
Cash flow from investing activities (B)	(5,282,343)	(5,222,389)
C) Cash flow from financing activities		
Loan funds		
Increase/(Decrease) in short-term payables to banks	(7,581,713)	6,663,161
Financing	10,370,470	3,000,000
(Repayment of loans)	(966,855)	(516,045)
Own funds		
(Dividends and interim dividends paid)	-	(830,059)

Cash flow from financing activities (C)	1,821,902	8,317,057
Increase (decrease) in cash and cash equivalents (A ± B ± C)	2,819,567	58,590
Exchange rate effect on cash and cash equivalents	(235,651)	(7,866)
Cash and cash equivalents at beginning of year		
Bank and postal deposits	3,402,622	3,341,045
Cash and cash equivalents	9,981	20,834
Total cash and cash equivalents at beginning of year	3,412,603	3,361,879
Cash and cash equivalents at end of year		
Bank and postal deposits	5,991,502	3,402,622
Cash and cash equivalents	5,017	9,981
Total cash and cash equivalents at end of year	5,996,519	3,412,603
Acquisition or sale of subsidiaries		
Total fees paid or received	-	(3,283,344)
Part of the fees consisting of cash and cash equivalents	-	(3,283,344)
Cash acquired or disposed of through acquisition/disposal of subsidiaries	-	217,411
Book value of assets/liabilities acquired or sold	-	638,128

STAR7 S.p.A. GROUP

Head office in Via Alessandria 37/B - fraz. Valle San Bartolomeo -15122 ALESSANDRIA (AL)
Share capital €500,000,000.00 fully paid up

Notes to the Consolidated Financial Statements as at 31/12/2020

Introduction

The STAR7 Group Consolidated Financial Statements as at December 31, 2020 include the financial statements of the parent company STAR7 S.P.A. and of the Group companies directly or indirectly controlled by it.

The Consolidated Financial Statements as at 31 December 2020 represent the third consolidated financial statements of STAR7 S.p.A. Group, drawn up as the limits set by Legislative Decree no. 127/1991 have been exceeded.

Activities performed

The STAR7 S.p.A. Group carries out activities of production and translation of technical documentation, interpreting, automation of editorial processes, dedicated IT development, printing on demand and is distinguished by its competence and experience.

During the year, business dealings with the associated companies Dante s.r.l., STAR AG and other minor subsidiaries of STAR AG were conducted on an arm's length basis.

During the year, which was marked by the Covid-19 epidemic, STAR7 S.p.A. Group continued to significantly develop its translation, technical editing and printing activities following major contracts with leading companies in the automotive sector. Despite the turbulence caused by the Covid-19 epidemiological emergency, the Group closes the 2020 financial year in profit, with good performances (consolidated revenues obviously decreasing compared to 2019 but higher than 2018), consolidating its market positions and investing significantly in both R&D and new printing technologies to be always competitive in the market and provide its customers with targeted and quality services.

Research and development activities

During the year, STAR7 S.p.A. Group developed Research and Development Projects, which are eligible for subsidies pursuant to Article 3 of Decree No. 174 of May 29, 2015 of the Ministry of Economy and Finance. It was decided to consider this activity worthy of recognition in the current financial statements both for tax purposes, with the consequent determination of a Research and Development Credit to be used as compensation, and for accounting purposes, with the recognition of income under "Other revenues" equal to € 346,330 (activities carried out by STAR7 S.p.A., STAR7 Engineering s.r.l., STAR7 Printing s.r.l. and AD Studio s.r.l.). This resulted in the recognition of a research and development credit in these financial statements, against the full recognition in the income statement of the eligible costs underlying the accounting.

Significant events during the year

The year 2020 was marked by the emergence of the Covid-19 epidemiological emergency, which put pressure on the health systems of almost every country in the world and undermined their economic and financial systems, while also causing serious social problems, especially in the West.

Italy is one of the main countries affected, prompting the government to adopt significant counter measures, including the lock-down of the national territory.

Despite the contingent situation described above, in 2020 the Group made some important changes to its structure, first and foremost the *rebranding*. It became operational on 7/7/2020, with the change of name from STAR S.p.A. to STAR7 S.p.A. (the same change occurred for the subsidiaries) in order to enhance both the founding values of the Group and the peculiar characteristics of the services that it is able to provide with competence and innovation in the global market.

In the early months of last year the Parent Company also acquired the business unit of the associated undertaking, Dante S.r.l., consisting of administration, purchasing and human resources services, which are now fully integrated into the STAR7 structure.

All this in order to make the Company and the Group more structured in view of the activities aimed at requesting admission to the listing of its shares on AIM Italy, extended to 2021 due to the epidemiological emergency; as is well known, the presence on this trading system would offer important development both in financial terms and in terms of image.

On 24/6/2020 the merger of RES S.r.l. into STAR7 was also completed. The merged company's core business was technical writing and providing customized services for a number of leading *automotive* customers. The merger was effective for accounting and tax purposes retroactive to 1/1/2020. RES S.r.l., moreover, was consolidated using the line-by-line method in the 2018 and 2019 financial years.

At the end of 2020 the purchase of 33% of the share capital of the company IAMDEV Società tra Professionisti a r.l., formerly a STAR7 supplier, was finalized by deed of Notary Conforti, operating in the software production sector and preparatory to the development of your Company's digitization activities.

Finally, during the first few months of 2021 the production branch of Grafitec S.r.l. was acquired. This company operates in the printing sector, specializing in both classified and ordinary defense industry documentation. Continued development activity in translation services, both domestically and abroad, which may be realized during 2021 through future acquisitions.

Preparation criteria

The Consolidated Financial Statements of STAR7 S.p.A. Group have been prepared in accordance with art. 25 et seq. of Legislative Decree no. 127/1991 and include the Balance Sheet, Income Statement, Cash Flow Statement and the Explanatory Notes, which form an integral part thereof.

The financial year ending on 31/12/2020 is the third year from which the obligation to prepare Consolidated Financial Statements begins.

In addition to the attachments required by law, reconciliations are provided between the net result and shareholders' equity of the consolidating company and the respective values resulting from the Consolidated Financial Statements.

The criteria used in the preparation and measurement of the financial statements for the year ended 31/12/2020 take into account the changes introduced into the national legal system by Legislative Decree 139/2015, through which Directive 2013/34/EU was implemented.

Carrying amounts are shown in Euro units by rounding off the relevant amounts. Any rounding differences were posted to the item "Euro rounding reserve" under shareholders' equity.

These Notes provide the data and information required by Art. 38 of Legislative Decree 127/1991. The Notes to the Financial Statements present information on items in the Balance Sheet and Income Statement in the order in which the relevant items are shown in the respective financial statements.

Consolidation area and methods

The Consolidated Financial Statements include the individual financial statements of the Parent Company STAR7 S.p.A. and of those companies in which STAR7 S.p.A. directly or indirectly holds the majority of voting rights at Ordinary General Meetings.

The separate/individual financial statements of the following subsidiaries have been consolidated on a line-by-line basis:

Name	Registered office	Currency	Share capital in foreign currency	Shareholding	Share % held	Interest in %
STAR7 PRINTING S.R.L.	ASTI - ITALY	Euro	10,000	Direct	60%	60%
STAR7 ENGINEERING S.R.L.	MARANELLO (MO) - ITALY	Euro	40,000	Direct	100%	100%
AD STUDIO S.R.L.	LUGO (RA) - ITALY	Euro	10,000	Direct	100%	100%
STAR COMUNICAÇÃO E SERVIÇOS LTDA	BELO HORIZONTE - BRAZIL	Real	1,448,205	Direct	75%	75%
CAL COMUNICAÇÃO LTDA	BELO HORIZONTE - BRAZIL	Real	500,000	Direct	75%	75%

STAR USA LLC	DOVER - DELAWARE - U.S.A.	USD	5,000	Direct	100%	100%
TECHWORLD LANGUAGE SERVICES INC.	TROY - MICHIGAN - U.S.A	USD	890	Indirect	100%	100%
STAR7 AUSTRIA GMBH	LINZ - AUSTRIA	Euro	35,000	Direct	100%	100%
STAR ALBANIA SHPK	TIRANA - ALBANIA	Lek	500,000	Direct	100%	100%

It should be pointed out that the scope of consolidation changed compared to the previous period following the merger by incorporation of RES s.r.l. into STAR7 S.p.A..

It should be noted that STAR USA LLC has prepared its own consolidated financial statements in which Techworld Language Services Inc.'s data is included as of the date it acquired control (July 15, 2019): for consolidation purposes, these sub-consolidated financial statements have been used.

The financial statements of each subsidiary company have been used for consolidation purposes, adjusted where necessary to bring them into line with the Parent Company's accounting policies.

The subsidiary STAR Comunicacao e Servicos Ltda, holds two minor companies that have not been consolidated due to the immateriality of their financial statement data:

- Grafica e Editora Starcom Ltda, share capital Reais 475,000, 100% owned, based in Bairro Novo Riacho (as of 12/31/2019, the investment was 75%);
- Star Comunicacao e Servicos - SCP, equal partnership between STAR Comunicacao e Servicos Ltda and STAR do Brasil (controlled by STAR AG), share capital Reais 1,000, 50% owned, based in Betim.

Reference Date

In compliance with art. 30 of Legislative Decree no. 127/1991, the reference date of the Consolidated Financial Statements coincides with that of the Parent Company's individual financial statements, i.e. 31/12/2020. All the financial statements of the companies included in the scope of consolidation coincide with the calendar year and are closed on 31/12/2019, as are those of the consolidating Parent Company.

Consolidation principles and criteria

The financial statements used for consolidation are the individual financial statements of the individual companies, approved by their respective shareholders' meetings; if they have not yet been approved by the Shareholders' Meeting, the draft financial statements prepared by the respective administrative bodies were used. These financial statements are reclassified and adjusted, where necessary, in order to bring them into line with the accounting standards and valuation criteria of the Parent Company, which are in line with those laid down in the Italian Civil Code and issued by the OIC.

In preparing the Consolidated Financial Statements, the assets and liabilities shown in the Balance Sheet and the income and expenditure shown in the Income Statement of companies consolidated on a line-by-line basis are included in full. Receivables and payables as well as income and charges and profits and losses originating from transactions between consolidated companies are eliminated. In this regard, it should be noted that transactions between Group companies during the year were carried out under normal market conditions.

The difference, at the date of acquisition of control, between the book value of the investee company and the corresponding portion of shareholders' equity, which are eliminated, if positive, is posted to the higher value of the consolidated assets of the investee company, including goodwill, if this is justified by the substance of the transaction, otherwise it is deducted from the consolidation reserves under liabilities. If the difference is negative, it is posted to the shareholders' equity item "Consolidation reserve" or to a specific "Consolidation reserve for future risks and charges", in compliance with the criterion set out in Art. 33, paragraph 3 of Legislative Decree 127/91. The difference is charged to the Fund when losses or liabilities are expected from the consolidated investee.

Goodwill" and the "Allowance for risks and charges" thus determined are posted to the Income Statement in relation to the economic performance of the investee companies or amortized by applying the criterion indicated in the section "Accounting policies" below.

The amount of capital and reserves of subsidiaries pertaining to minority shareholders is recorded in shareholders' equity under an item entitled "capital and reserves of minority shareholders"; the portion of net income (loss) for the period pertaining to minority interests is shown under the item "net income (loss) for the

period pertaining to minority interests".

The income statement shows separately the minority interest in net income.

Balance sheet and income statement relationships between the Companies included in the scope of consolidation have been totally eliminated. Gains and losses arising from transactions between Consolidated Companies, which are not realized from transactions with third parties, are eliminated. During pre-consolidation any items of exclusive tax relevance are eliminated and the related deferred taxes are provided for.

It should be noted that leased assets have been accounted for in accordance with the provisions of international accounting standard IFR 16 (financial method), which envisages recording the leased assets under assets, net of depreciation, and the amount of the residual principal under payables

Conversion of individual financial statements expressed in currencies other than the Euro

Financial statements denominated in currencies other than the Euro are converted:

- at the year-end exchange rate for assets and liabilities on the balance sheet;
- at the average exchange rate for the period for positive and negative income components in the income statement;
- at the historical exchange rate at the time of their formation for the equity reserves.

The difference between the result for the period translated at the average exchange rate for the income statement and the result for the period translated at the spot exchange rate for the shareholders' equity items, as well as the effects on assets and liabilities deriving from fluctuations in exchange rates at the beginning and end of the period, are allocated to the shareholders' equity item "Reserve for foreign exchange differences".

The exchange rates used are listed in the table below:

<u>Currency</u>	<u>Spot rate</u>		<u>Average rate</u>	
	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>2020</u>	<u>2019</u>
U.S. Dollar to 1 Euro	1.2271	1.1234	1.1422	1.1195
Brazilian Real to 1 Euro	6.3735	4.5157	5.8943	4.4134
Albanian Lek to 1 Euro	123.70	121.77	123.79	121.77

Measurement criteria

The valuation of the items in the financial statements was carried out in accordance with the general criteria of prudence and competence, with a view to the continuation of the business.

It should be noted that for the purposes of the prospect of continuing operations pursuant to art. 2423-bis of the Italian Civil Code, none of the Italian companies has made use of the exemption option provided for by paragraph 2 of art. 38-quater of Law 77/2020 converting Legislative Decree 34/2020 ("Relaunch Decree"), an option introduced following the Covid-19 epidemic. Also for the preparation of these Consolidated Financial Statements, the Management Body of the Parent Company did not make use of the exemption option provided for by paragraph 2 of art. 38-quater of Law 77/2020 converting Legislative Decree 34/2020.

The application of the principle of prudence has entailed the individual valuation of the elements making up the individual items or items of assets or liabilities, in order to avoid offsetting losses that must be recognized and profits that must not be recognized because they have not been realized.

In compliance with the accruals principle, the effect of transactions and other events has been recorded in the accounts and attributed to the period to which such transactions and events refer and not to the period in which the related cash movements (receipts and payments) take place.

In application of the principle of relevance, the obligations relating to recognition, measurement, presentation and disclosure have not been complied with when their observance would have an irrelevant effect for the purposes of giving a true and fair view.

Continuity in the application of the valuation criteria over time is a necessary element for the purposes of comparability of the financial statements in the various periods.

The recognition and presentation of items in the financial statements has been made taking into account the substance of the transaction or contract (principle of substance over form).

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

There were no exceptional circumstances that made it necessary to resort to derogations pursuant to art. 2423, paragraph 5 of the Italian Civil Code.

Suspension of depreciation - art. 60 Law 126/2020

It should be noted that, pursuant to art. 60 of Law no. 126/2020, the Parent Company and STAR7 Printing, as an exception to art. 2426, paragraph 1, number 2) of the Italian Civil Code, decided not to carry out annual amortization of the cost of certain intangible and tangible fixed assets. As provided for by the above-mentioned legal provision, the portion of amortization not carried out is charged to the Income Statement for the following year, thus extending the original amortization schedule by one year. The Companies were induced to make use of the aforementioned waiver as the pandemic caused by the Covid-19 virus significantly slowed down the growth process undertaken and interrupted the execution of certain activities such as the rebranding of the Group and the listing. Provision has been made for the related deferred taxes.

From the following comparison tables, the impact of the waiver on the income statement and balance sheet emerges.

	WITH DEROGATION	WITHOUT DEROGATION	DIFFERENCE
INCOME STATEMENT			
Value of production	44,605,149	44,605,149	-
Cost of production	- 42,080,435	- 42,750,542	670,107
Difference between value and cost of production	2,524,714	1,854,607	670,107
Financial income and charges	- 317,711	- 317,711	-
Value adjustments	- 73,589	- 73,589	-
Profit before tax	2,133,414	1,463,307	670,107
Income taxes	- 448,296	- 297,052	- 151,244
Net profit (loss)	1,685,118	1,166,255	518,863
of which:			
Net profit (loss) attributable to owners of the Parent	1,493,286	1,055,205	438,081
Net profit (loss) attributable to minority interests	191,832	111,050	80,782
BALANCE SHEET			
	WITH DEROGATION	WITHOUT DEROGATION	DIFFERENCE
Intangible fixed assets	8,305,500	7,915,497	390,003
Property, plant and equipment	5,387,641	5,107,537	280,104
Financial fixed assets	511,857	511,857	-
NON-CURRENT ASSETS	14,204,998	13,534,891	670,107
CURRENT ASSETS	33,344,138	33,344,138	-
ACCRUED INCOME AND PREPAID EXPENSES	873,399	873,399	-
TOTAL ASSETS	48,422,535	47,752,428	670,107
Share capital	500,000	500,000	-
Reserves	8,316,416	8,316,416	-
Net profit (loss) attributable to owners of the Parent	1,493,286	1,055,205	438,081
EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP	10,309,702	9,871,621	438,081
Capital and reserves attributable to minority interests	521,609	521,609	-
Net profit (loss) attributable to minority interests	191,832	111,050	80,782
MINORITY INTERESTS	713,441	632,659	80,782
PROVISIONS FOR RISKS AND CHARGES	534,426	383,182	151,244
PROVISIONS FOR SEVERANCE	3,280,750	3,280,750	-
PAYABLES	32,391,583	32,391,583	-
ACCRUED EXPENSES AND DEFERRED INCOME	1,192,633	1,192,633	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	48,422,535	47,752,428	670,107

Changes in accounting principles

There have been no changes in accounting policies.

Comparability and fit issues

There are no issues regarding the comparability and adjustment of the figures in the Consolidated Financial Statements for the year with those in the Consolidated Financial Statements for the previous year.

Measurement criteria applied

Ref. art. 2426, first paragraph, Civil Code and Accounting Principles OIC 12.

Fixed assets

Intangible fixed assets

These are recorded at purchase or production cost, revalued if necessary in accordance with the law, net of depreciation and write-downs.

Research and advertising costs are normally charged to the income statement.

Amortization using the direct method is carried out in accordance with the following Group criteria:

- start-up and expansion costs, and development costs with long-term utility are amortized over a period of 5 years;
- industrial patents, intellectual property rights, licenses and concessions are amortized at a rate of 33.33%;
- goodwill is amortizable over 10 years. For the amortization of the company branch acquired from Dante S.r.l., recourse was made to the exemption provided for by Law 126/2020;
- leasehold improvements are amortized at rates that depend on the duration of the contract.

No development costs and/or assets in progress relating to Research and Development projects capitalized pursuant to OIC 24 have been recorded.

If, irrespective of the depreciation/amortisation already recorded, an impairment loss occurs, the asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation/amortisation.

Property, plant and equipment

These are recorded at purchase or production cost, revalued if necessary in accordance with the law, net of depreciation and write-downs.

Depreciation charged to the Income Statement has been calculated on the basis of the criterion of the residual useful life of the assets, taking into account their use, destination and economic-technical duration. This criterion is deemed to be well represented by the following rates, which have remained unchanged with respect to the previous year and are reduced by half in the year the asset enters service:

- Land and buildings: 3%
- Lightweight constructions: 10%
- Plant and machinery: 15.5%
- Alarm, fire prevention and air conditioning systems: 30%
- Industrial and commercial equipment: 25%
- Office furniture: 12%
- Office machines: 20%
- Cars: 25%
- Trucks: 20%
- Forklifts: 10%
- Lifting equipment: 15%

If, irrespective of the depreciation already recorded, there is a permanent impairment of value, the asset is written down accordingly. If, in subsequent years, the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciation/amortisation.

Tangible fixed assets are only revalued if permitted by law (special, general or sector). No discretionary or voluntary revaluations were carried out, and the valuations carried out are limited to the objectively determined value in use of the asset itself.

Maintenance costs are expensed during the year if they are of an ordinary nature, or capitalized if they increase the value of the asset, and depreciated at the depreciation rate applicable to the asset in question.

Assets held under finance leases are recorded under technical fixed assets in the relevant classes and are

depreciated, as owned assets, on a straight-line basis over their residual useful lives. As a balancing entry to the asset, short and medium-term payables to the lessor financial institution are recorded; rentals are reversed from lease and rental costs and the interest accruing during the period is recorded under financial charges. In this way, we obtain a representation of the leasing transaction according to the so-called "financial method" provided for by the international accounting standard IFRS 16, which better represents the economic substance of the leasing contracts in place.

Financial fixed assets

Investments in subsidiaries not consolidated on a line-by-line basis and in associated companies are valued by the equity method.

Equity investments in other companies are posted at purchase or subscription cost, adjusted if necessary for impairment losses.

Financial receivables are recorded at nominal value, adjusted if necessary for impairment losses.

Inventories

Raw and ancillary materials and finished products are recorded at the lower of purchase or production cost and estimated realizable value; the valuation criterion is unchanged from the previous year.

Receivables

Receivables are recorded in the financial statements according to the amortized cost criterion, taking into account the time factor and their presumed realizable value. The amortized cost criterion is not applied when the effects are insignificant, i.e. when the transaction costs, commissions paid between the parties and any other difference between the initial value and the value at maturity are insignificant or if the receivables are short-term (i.e. with a maturity of less than 12 months).

The value of receivables is adjusted to their estimated realizable value by means of a specific allowance for doubtful accounts, taking into account the existence of indicators of impairment. The amount of the write-down is recognised in the income statement.

Cash on hand

Cash and cash equivalents at the end of the fiscal year are valued at face value, which reasonably approximates fair value. Cash denominated in foreign currency is valued at the year-end exchange rate.

Accruals and deferrals

They have been determined in accordance with the criterion of actual accrual for the period.

Provisions for risks and charges

These are set aside to cover losses or payables whose existence is certain or likely, but whose amount or date of occurrence could not be determined at the end of the financial year.

In the valuation of these provisions, the general criteria of prudence and competence were respected, and no generic risk provisions without economic justification were set up.

Contingent liabilities have been recorded in the financial statements and posted to the provisions since they are considered probable and the amount of the related charge can be reasonably estimated.

Provisions for risks and charges are recorded with 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 above classes is not feasible, the provisions for risks and charges are posted to items B12 and B13 in the Income Statement.

Provision for severance pay

Represents the actual debt accrued to employees in accordance with applicable law and labor agreements. This liability is subject to revaluation by means of indices. This item regards amounts due to employees for employee severance indemnities accrued up to the month prior to the date on which each employee expressly or implicitly chose the fund to which to allocate the severance indemnity accruing, pursuant to Legislative Decree no. 196/2003

2005 no. 252 and subsequent amendments and additions. In fact, it should be noted that, following the entry into force of the above-mentioned decree, the following were taken into account:

- (i) the employees' decision to allocate the severance indemnity fund to a pension fund (private or professional);
- (ii) of employees' decision to keep their severance pay with their employer.

Payables

Payables are recorded according to the amortized cost method, taking into account the time factor. The amortized cost criterion is not applied to payables if its effects are insignificant. Generally, the effects are considered insignificant for short-term payables (i.e. with maturities of less than 12 months).

Any discounting of trade payables is only carried out if the nominal value of the payables significantly exceeds the market price of the goods purchased with a short-term payment and if the extension granted significantly exceeds the following year.

Amounts due for vacations accrued by employees and deferred remuneration, including amounts due to social security institutions, are provided for on the basis of the amount that would be payable in the event of termination of employment at the balance sheet date.

Conversion criteria for values expressed in foreign currency

Receivables and payables originally expressed in foreign currency are aligned at closing exchange rates. Any hedging transactions are taken into account.

Revenue and cost recognition

Revenue from product sales is recognized upon transfer of ownership, which is normally identified with delivery or shipment.

Revenues for services rendered and those of a financial nature are recognized on an accruals basis (when the service is rendered and completed or, in the case of ongoing services, when the fee is due).

The same criteria apply to cost entry.

Revenues and income, costs and charges relating to transactions in foreign currency are determined at the exchange rate in force on the date on which the transaction is carried out.

Income and expenses relating to sale and purchase transactions with the obligation to retrocession forward, including the difference between the forward price and the spot price, are recorded for the portion pertaining to the year.

Income Taxes

Income taxes include all taxes calculated on the taxable income of individual Group companies. Income taxes are recognized in the income statement,

Other non-income related taxes, such as property taxes, are included in other operating expenses.

Deferred taxes are provided using the global liability allocation method. They are calculated on all temporary differences arising between the tax base of an asset or liability and its carrying amount in the consolidated financial statements. Deferred tax assets on tax losses and temporary differences are recognized to the extent that it is probable that future taxable income will be available against which they can be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to apply, under the respective laws of the countries in which the Group operates, in the periods in which the temporary differences will be realized or settled.

Cash flow statement

The Statement of Cash Flows has been prepared in accordance with the format indicated in article 2425 bis of the Italian Civil Code and with the instructions given in OIC 10.

Employment figures

The average number of employees of the companies consolidated on a line-by-line basis is shown separately by category.

COMPANY	NO. OF EMPLOYEES AS AT 31/12/2020	executive s	middle manag ers	office workers	manual workers	NO. OF EMPLOYEES AS AT 31/12/2019	executive s	middle manag ers	office workers	manual workers
STAR7 S.P.A.	283	2	8	271	2	239	2	8	227	2
STAR7 ENGINEERING	69			68	1	65			64	1
AD STUDIO	23			23		22			22	
RES	0			0		15			15	
STAR7 PRINTING	40			10	30	38			12	26
STAR7 GMBH	4			4		3			3	
STAR ALBANIA	32			32		31			31	
STAR USA LLC	1			1		2			2	
TECHWORLD	16			16		19			19	
STAR COMUNICACAO	54			40	14	59			45	14
CAL COMUNICACAO	0					0				
GRAFICA STARCOM	24				24	18				18
TOTAL	546	2	8	465	71	511	2	8	440	61

Activities

B) Fixed assets

I. Intangible fixed assets

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
8,305,500	5,810,104	2,495,396

Changes in this item were as follows:

Description	31/12/2019	Increases	Amortisation	Reclassifications	Delta %	31/12/2020
Start-up and expansion costs	805,412	130,000	-297,118			638,294
Industrial patent rights and intellectual property rights	20,901		-2,857	-18,044		0
Industrial patents and intellectual property rights	293,601	1,120,303	-101,329	18,044		1,330,619
Goodwill	4,053,867	1,486,014	-486,919		-247,919	4,805,043
Assets under construction/development	184,667	483,556				668,223
Others	451,656	602,634	-190,969			863,321
Total intangible assets	5,810,104	3,822,507	-1,079,192	0	-247,919	8,305,500

The delta exchange rate relates to goodwill related to Techworld Language Services Inc. which was generated in 2019 by Star USA LLC.

The difference between the total of the "Amortization and depreciation" column and the corresponding income statement item (22,375 euros) is due to the exchange rate difference between the US dollar and the euro.

The composition of the items as of 12/31/2019 was as follows:

	Historical cost	Accumulated amortisation/depreciation	Net value
Start-up and expansion costs	1,344,386	-538,974	805,412
Industrial patent rights and intellectual property rights			

	277,130	-256,229	20,901
Industrial patents and intellectual property rights	1,322,962	-1,029,361	293,601
Goodwill	4,958,879	-905,012	4,053,867
Assets under construction/development	184,667	0	184,667
Others	817,895	-366,239	451,656
	8,905,919	-3,095,815	5,810,104

Goodwill is made up as follows:

	Historical cost	Accumulated amortisation/depreciation	Delta %	Net value
Techworld Language Services Inc.	3,288,294	- 455,959	247,919	2,584,416
business unit acquired by Dante S.r.l.	1,286,356	-		1,286,356
RES s.r.l.	816,481	- 244,944		571,537
STAR7 Engineering S.r.l.	590,318	- 472,254		118,064
STAR U.S.A.	287,889	- 125,394		162,495
STAR7 GmbH	164,350	- 82,175		82,175
	6,433,688	- 1,380,726	247,919	4,805,043

The item goodwill relating to consolidated companies originates from the allocation of the positive difference resulting from the elimination of the investment account against the shareholders' equity of the fully consolidated companies at the date of acquisition, where justified by the nature and substance of the transaction. Goodwill is amortized over 10 years and is subject to *impairment* testing in order to identify any permanent loss of value. Specifically:

- Techworld Language Services Inc.: company acquired by STAR USA LLC on July 15, 2019; goodwill originates when the sub-consolidated financial statements of STAR USA LLC were prepared, it is amortized over 10 years and in 2019 the amortization rate was measured at 6 months because in the Consolidated Financial Statements the revenues and expenses of the investee were assumed from the date control was acquired. During 2020, goodwill increased by \$245,000 due to the elimination of contingent liabilities with a corresponding change in purchase price;
- RES: goodwill at the date of acquisition (2018) amounts to 816,481 euros and is supported by a sworn expert's report that attested to the fairness of the purchase price; in 2020 RES was merged by incorporation into STAR7 S.p.A.;
- STAR Engineering: the goodwill derives from the acquisition in 2013 of Wayred s.r.l., subsequently merged into STAR Engineering s.r.l.; goodwill at the date of acquisition amounted to € 590,318 and is justified by the fact that Wayred held supply contracts with an important client in the high-end automotive sector; the contract was therefore acquired by the STAR7 Group and is still active.

The goodwill of the business unit acquired in 2020 from Dante s.r.l. is recorded in the Parent Company's individual financial statements and has not been franked for tax purposes. This goodwill has been recorded with the consent of the Board of Statutory Auditors, supported by an appraisal prepared by independent third party professionals and taking into account that there are no indicators of impairment

No tax effect has been calculated on the goodwill recorded in the Consolidated Financial Statements, as such goodwill is only for statutory purposes and has no tax implications.

During the 2020 financial year, the increases mainly concerned:

- start-up and expansion costs: relate to software services for an on-line technical documentation management project for the automotive sector;
- licences, trademarks and similar rights: purchased software and programs developed in-house, STAR7 brand (€ 219,724); the purchase of licenses for the year relates to the implementation of the ERP that is nearing completion, which has not been amortized in accordance with proper accounting principles;
- assets under development/construction and payments on account: charges for listing on the AIM market (€ 226,055), rebranding / corporate organization (€ 128,369), professional services for due diligence in progress (€ 45,150), other minor;
- other intangible fixed assets leasehold improvements.

As mentioned above, the Parent Company, as a result of the Covid-19 epidemic, which prevented it from carrying out planned activities and slowed down the growth process undertaken, exercised its right to suspend amortization for the following categories of intangible assets:

- licences, trademarks and similar rights: €261,991;
- goodwill on the business branch acquired from Dante s.r.l.: €128,012.

Therefore, a total of 390,003 euros in amortization was suspended (of which 261,991 euros was deducted for tax purposes as goodwill has not been redeemed for tax purposes). It should also be noted that amortization charges not recorded in the Income Statement but deducted for tax purposes gave rise to deferred taxation of 73,095 euros (theoretical tax rate of 27.9%).

Start-up and expansion costs

Pursuant to OIC 24, in 2019 start-up costs relating to new activities connected with new contracts with leading customers in the *automotive* sector in the amount of € 1,384,755 were recorded under item BI1. In 2020, € 130,000 was capitalized in relation to software services for an online technical documentation management project for the automotive sector.

No development costs and/or assets in progress were recorded relating to Research and Development projects capitalized pursuant to OIC 24.

Pursuant to article 10 of Law no. 72/1983, it should be noted that no monetary revaluation has ever been carried out on intangible fixed assets.

II. Property, plant and equipment

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
5,387,641	4,550,692	836,949

Changes in this item were as follows:

Description	31/12/2019	Increases	Decrease	Write-backs	Reclassifications	Depreciation	Delta %	31/12/2020
Land and buildings	2,052,863	53,336	-17,927			-51,092	-19,591	2,017,589
Plant and machinery	935,470	1,178,191	-155,527	250,000	403,578	-215,073	-118,261	2,278,378
Industrial and commercial equipment	605,133	14,559			-403,578	-61,101	-19,252	135,761
Other assets	721,511	728,741	-243,429			-250,599	-311	955,913
Assets under development and payments on account	235,715		-235,715					0
	4,550,692	1,974,827	-652,598	250,000	0	-577,865	-157,415	5,387,641

Foreign exchange deltas relate to property, plant and equipment of Star Comunicacao, Cal Comunicacao, Star USA LLC and Techworld Language Services Inc.

The difference between the total of the "Amortization and depreciation" column and the corresponding income statement item (7,188 euros) is due to the exchange rate difference between the US dollar and the Brazilian real.

Increases for the year mostly relate to high-tech printing equipment, electronic machines and hardware.

Land and buildings also includes land and buildings held by the Parent Company under lease agreements for the following net book values:

- land Euro 377,028
- buildings €1,033,057

Tangible fixed assets do not include any allocation of consolidation differences arising from the elimination of the investment account against the shareholders' equity of subsidiaries.

Assets under construction and advances as at 31/12/2019 include 235,715 euros relating to the start of works for the construction of new offices in front of the registered office in Alessandria, in the hamlet of Valle San Bartolomeo; said works were financed by means of a property lease and therefore the above amount was transferred to other receivables / intangible fixed assets.

As anticipated, Star7 Printing, as a result of the Covid-19 epidemic, which prevented it from completing planned

activities and slowed down the growth process undertaken, exercised its right to suspend depreciation for the following categories of property, plant and equipment:

- electronic printing systems: €223,614;
- automatic operating machinery: €56,490.

Therefore, a total of 280,104 euros in amortization and depreciation was suspended, although these were deducted for tax purposes, and the related deferred taxes of 78,149 euros were recorded (theoretical tax rate of 27.9%).

Total revaluations of tangible fixed assets at year end (Ref. art. 2427, first paragraph, no. 2, Italian Civil Code)

Pursuant to article 10 of Law no. 72/1983, in 2020 Star7 Printing carried out a revaluation of €250,000 on certain electronic printing systems and automatic operating machinery owned pursuant to Legislative Decree no. 104/2020 ("Relaunch" Decree). The revaluation was also carried out for tax purposes, with a balancing entry in the revaluation reserve in shareholders' equity net of substitute tax.

III. Financial fixed assets

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
511,857	411,018	100,839

Equity investments

Description	31/12/2020	31/12/2019	Change
Grafica e Editore Starcom Ltda	-	-	-
Subsidiaries	-	-	-
STAR Comunicacao e Servicos - SCP	13,016	18,831	5,815
IAMdev S.t.p. s.r.l.	120,000	-	120,000
Associated companies	133,016	18,831	114,185
	133,016	18,831	114,185

Investments in subsidiary undertakings refer to Grafica e Editore Starcom Ltda, valued using the equity method at zero already in the individual financial statements of the subsidiary STAR Comunicacao. Provisions for risks and charges" include a provision for losses incurred by the subsidiary undertaking.

Investments in associated companies refer to STAR COMUNICACAO E SERVICOS - SCP and IAMdev S.t.p. s.r.l..

SCP is an equal partnership between STAR Comunicacao e Servicos Ltda and STAR do Brasil (subsidiary of STAR AG), valued using the equity method at €13,016 already in the individual financial statements of the subsidiary STAR Comunicacao (€18,831 as of 12/31/2019).

At the end of 2020, the Parent Company acquired 33% of the following Company deemed strategic:

Name	City, if in Italy, or foreign country	Tax ID no. (for Italian companies)	Share capital in Euros	Profit (loss) last year in euro	Shareholders' equity in euros	Share held in %	Book value or corresponding receivable
IAMdev S.t.p. s.r.l.	Montacchiello (PI)	02173930500	10,000	N/A	N/A	33%	120,000
							120,000

Receivables

Long-term receivables are broken down as follows:

Description	0	31/12/2019	Change	Within 12 months	After 12 months
Grafica e Editore Starcom Ltda (controllata)	224,199	-	224,199	-	224,199
Dante s.r.l. (associate)	-	287,500	287,500	-	-
Starcom Argentina (associate)	55,519	-	55,519	-	55,519

From others	99,123	104,687	-	5,564	of which	-	99,123
	378,841	392,187	-	13,346		-	378,841

Non-current receivables due from others refer to guarantee deposits.

Long-term receivables are broken down by geographical area as follows:

Description	31/12/2020	31/12/2019	Change
Italy	99,123	392,187	- 293,064
North America	4,156	-	4,156
South America	275,562	-	275,562
	378,841	392,187	- 13,346

The carrying value of long-term receivables reasonably approximates their fair value.

C) Current assets

I. Inventories

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
734,851	658,567	76,284

This item consists of the following:

Description	31/12/2020	31/12/2019	Change
Raw and consumable materials	457,877	75,629	382,248
Finished products and goods	276,974	582,938	- 305,964
	734,851	658,567	76,284

II. Receivables

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
26,612,768	28,649,952	- 2,037,184

Consolidated receivables, after elimination of intercompany values, are broken down by maturity as follows.

	Value at start of year	Change during the year	Value at end of year	Portion due within the year	Portion due after the end of the year	Of which with residual duration of more than 5 years
Trade receivables included in current assets	25,785,457	- 2,208,142	23,577,315	23,577,315	-	-
Receivables from subsidiaries included in current assets	311,386	- 295,511	15,875	15,875	-	-
Receivables due from associates included in current assets	277,328	77,984	355,312	355,312	-	-
Tax receivables classified as current assets	1,767,172	- 150,140	1,617,032	1,617,032	-	-
Deferred tax assets posted to current assets	149,320	271,274	420,594	420,594	-	-
Receivables due from others included in current assets	359,289	267,351	626,640	626,640	-	-
Total receivables posted to current assets	28,649,952	- 2,037,184	26,612,768	26,612,768	-	-

Trade receivables are recorded net of the allowance for doubtful accounts.

The breakdown of receivables by geographical area is as follows:

	Italy	EU	Non EU	TOTAL
Trade receivables included in current assets	20,266,813	1,545,450	1,765,052	23,577,315
Receivables from subsidiaries included in current assets			15,875	15,875
Receivables due from associates included in current assets	89,414	133,301	132,597	355,312
Tax receivables classified as current assets	1,499,320		117,712	1,617,032
Deferred tax assets posted to current assets	380,825		39,769	420,594
Receivables due from others included in current assets	605,051	8,292	13,297	626,640
Total receivables posted to current assets	22,841,423	1,687,043	2,084,302	26,612,768

Receivables from subsidiaries (not consolidated on a line-by-line basis) refer exclusively to Grafica e Editora Starcom Ltda.

Receivables due from associated undertakings break down as follows:

Receivables due from associated companies	Current year
STAR AG	118,785
DANTE SRL	89,414
STAR PARIS	55,987
STAR DEUTSCHLAND GMBH	50,970
STAR TECHNOLOGY SOLUTIONS	17,524
STAR JAPAN CO., LTD	7,394
STAR GROUP SCANDINAVIA AB	4,035
STAR GROUP AMERICA, LLC	3,809
STAR SA	3,673
STAR UK LIMITED	2,478
STAR Software, Translation, Artwork, Recording	956
STAR SOFTWARE SHANGHAI CO. LTD	131
Star Information Services Ltd. Sti.	112
STAR SERVICIOS LINGUISTICOS	43
STAR CZECH S.R.O.	-
	355,312

With regard to deferred tax assets, reference should be made to the note on deferred taxation.

Tax credits include tax credits for Research and Development amounting to € 586,812.

Receivables from others mainly include:

- 236,145 relating to the amount accrued for employee severance indemnities of the company SDS, the same amount was posted under liabilities in the item Severance indemnities. This line of business leased by Star7 for a period of three years and expiring in November 2020, has been extended for another year. At the end of the lease of the company branch and in case of return of the same to the company SDS srl, the amounts will be offset;
- 217,296 for costs incurred relating to the start of work on the construction of new offices in front of the company's headquarters; said works were financed by means of a property lease and the above amount was therefore transferred from tangible fixed assets under construction

III. Cash on hand

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
5,996,519	3,412,603	2,583,916

The item is broken down as follows:

	Value at start of year	Change during the year	Value at end of year
Bank and postal deposits	3,402,622	2,588,880	5,991,502
Cash and other valuables on hand	9,981	- 4,964	5,017
Total cash and cash equivalents	3,412,603	2,583,916	5,996,519

This item represents cash and cash equivalents and the existence of cash and valuables at the end of the financial year. Reference should be made to the Statement of Cash Flows for a quantitative analysis of the cash flows that generated the change in the period.

Accrued income and prepaid expenses

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
873,399	787,255	86,144

These represent the liaison items for the financial year calculated on an accruals basis and consist exclusively of prepaid expenses. As of December 31, 2020, they are detailed as follows:

	31/12/2020	31/12/2019	Change
Leasing for advance payments	30,437	164,398	- 133,961
Mortgage due diligence costs		48,434	48,434
Other (telephone, insurance, fees, etc.)	794,528	622,857	171,671
Total	873,399	787,255	86,144

Liabilities

A) Net equity

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
11,023,143	10,480,175	542,968

The following table shows changes during the year:

Description	31/12/2019	Allocation of previous year's result		Other changes		Profit (loss) for the year	31/12/2020
		Allocation of dividends	Allocation to reserve	Increases	Decreases		
Share capital	500,000						500,000
Legal reserve	100,000						100,000
Special reserve	5,944,512		1,346,901				7,291,413
Capital contributions	2,846						2,846
Consolidation reserve	834,702		784,971	145,500			1,765,173
Reserve for foreign exchange translation differences	1,375				- 823,873		- 822,498
Amnesty reserve	19,321						19,321
Reserve for transactions to hedge expected cash flows	-				- 39,839		- 39,839
Profit (loss) for the year	2,351,550	-	2,131,872		- 219,678	1,493,286	1,493,286
Total equity attributable to owners of the parent	9,754,306	-	-	145,500	- 1,083,390	1,493,286	10,309,702
Capital and reserves attributable to minority interests	574,093	- 147,043	151,776	97,000	- 154,217		521,609
Profit (loss) attributable to minority interests	151,776	-	151,776			191,832	191,832
Total equity attributable to minority interests	725,869	- 147,043	-	97,000	- 154,217	191,832	713,441
Total Owners' Equity	10,480,175	- 147,043	-	242,500	- 1,237,607	1,685,118	11,023,143

The consolidation reserve includes reserves for prior years' profits earned by subsidiaries and is net of amortization of goodwill pertaining to previous years. The increase of 145,500 euros in the "Other changes" column originates from the revaluation pursuant to Legislative Decree no. 104/2020 ("Relaunch" Decree) carried out on some electronic printing systems and automatic operating machinery owned by Star7 Printing. The minority interest in this reserve amounts to 97,000 euros.

The "Reserve for hedging transactions" (item A.VII under shareholders' equity) has been posted as a balancing entry to the allowance for financial instruments payable (see note on provisions for risks and charges), net of deferred tax assets.

Reconciliation between the Parent Company's statutory financial statements and the consolidated financial statements

The following table shows a reconciliation of shareholders' equity of the Parent Company STAR S.p.A. and consolidated shareholders' equity:

STATEMENT OF RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY AND CONSOLIDATED SHAREHOLDERS' EQUITY AS AT DECEMBER 31, 2020

	NET EQUITY 2019	Dividends	Changes in the scope of consolidation		Result for the period	NET EQUITY 2020
				Other changes		
STAR7 S.P.A.	7,913,580	-	-	-36,632	1,022,127	8,899,075
Operating results of pro-rata subsidiaries	1,456,113			-1,456,113	613,741	613,741
Intercompany dividends	-300,000			300,000	-170,000	-170,000
Pro-quota reserves of subsidiary companies' profits	1,345,826			936,435		2,282,261
Amortisation of goodwill	-738,864				-136,698	-875,562
Reversal of intercompany profits net of tax effect	-21,718				-13,965	-35,683
Leasing accounting with the financial method	147,827				3,418	151,245
Alignment of intercompany costs / revenues	-49,833					-49,833
Proceeds from PPP Loan (Star USA LLC)					174,663	174,663
Writeback under Italian Decree-Law 104/2020				145,500		145,500
Reserve for transactions to hedge expected cash flows					-3,207	-3,207
Exchange rate differences on conversion of foreign currency items	1,375				-823,873	-822,498
CONSOLIDATED FINANCIAL STATEMENTS - GROUP SHARE	9,754,306	-	-	-937,890	1,493,286	10,309,702

B) Provisions for risks and charges

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
534,426	158,133	376,293

The breakdown of this item is as follows.

Description	31/12/2019	Provisions	Uses	Other changes	31/12/2020
Provisions for pensions and similar	50,930	40,000			90,930
Provision for taxes, including deferred taxes	57,203	168,322			225,525
Financial derivative liabilities	-			53,546	53,546
Others	50,000	114,425			164,425
	158,133	322,747	-	53,546	534,426

The "Retirement reserve" refers to the reserve for severance indemnities of the Parent Company's Directors.

The provision for deferred tax liabilities primarily relates to the tax effect of recording the lease of the building in accordance with IFRS 16 (financial methodology) and the suspension of amortization and depreciation pursuant to Law 126/2000, as described in the notes to intangible and tangible fixed assets. Reference should be made to the note on deferred taxation

The risk provision of €50,000 set aside in previous years for commercial risks has been prudently maintained. The increase of 114,425 euros includes:

- 96,910 euros for the provision set aside by Star Comunicacao to cover the losses of the subsidiary undertaking, Grafica e Editora Starcom Ltda, following alignment of the value of this investment in accordance with the equity method;
- 17,515 euros for other minor provisions allocated by Star7 GmbH.

The fund derivative liabilities include:

- €48,201: mark-to-market of hedging interest rate swaps, relating to a loan disbursed in 2019 by Intesa San Paolo for € 3,000,000 and a loan disbursed in 2020 by Credit Agricole for € 2,250,000, taken out by the Parent Company;
- €5,345: mark-to-market of hedging derivative turned on by Star7 Printing.

This provision has been recorded as an offsetting entry to the reserve for expected cash flow hedges (item A.VII of shareholders' equity), net of deferred tax assets.

C) Employee severance indemnity

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
3,280,750	2,644,612	636,138

The provision set aside represents the actual debt at 12/31/2020 to employees in force at that date, net of advances paid. The change was as follows:

Balance as at 31-12-2019	2,644,612
Provisions	798,697
Other changes:	
acquisition of company branch from Dante s.r.l.	119,237
Uses	- 281,796
Balance as at 31-12-2020	3,280,750

D) Payables

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
32,391,583	30,725,020	1,666,563

Consolidated payables, after elimination of intercompany amounts, are broken down by maturity as follows:

	Value at start of year	Change during the year	Value at end of year	Portion due within the year	Portion due after the end of the year	Of which with residual duration of more than 5 years
Borrowings from banks	19,261,440	898,276	20,159,716	8,484,519	11,675,197	1,533,669
Borrowings from other lenders	1,235,530	923,705	2,159,235	344,702	1,814,533	630,755
Payments on account	1,760	- 1,760	-	-	-	-
Trade payables	5,662,147	80,112	5,582,035	5,582,035	-	-
Due to subsidiaries	50,333	- 42,476	7,857	7,857	-	-
Payables to associated companies	665,133	437,153	1,102,286	1,102,286	-	-
Tax payables	1,197,567	- 614,435	583,132	583,132	-	-
Payables to social security institutions	655,185	185,667	840,852	840,852	-	-
Other payables	1,995,925	- 39,455	1,956,470	1,956,470	-	-
TOTAL PAYABLES	30,725,020	1,666,563	32,391,583	18,901,853	13,489,730	2,164,424

The item "Payables due to other financial institutions" mainly includes payables due to leasing companies in relation to fixed assets (land and buildings, advanced printing machinery, motor vehicles) acquired under finance leases.

As of December 31, 2020, "Due to suppliers" includes payables arising from the purchase of services and goods destined directly for the production of finished products and services.

Payables due to subsidiaries not consolidated on a line-by-line basis are all due to Grafica e Editora Starcom Ltda.

The item "Due within 12 months" primarily regards amounts due for withholding tax, VAT and income tax.

The balance of other payables includes deferred compensation of employees.

There are no debts secured by collateral on corporate assets.

As far as bank loans are concerned, the Group's Italian companies have benefited from the moratorium introduced by the Covid-19 legislation, from Decree Law 23/2020 (Liquidity Decree) onwards. The amount of the capital shares subject to the benefit totals €1,436,388 in 2020.

As the moratorium did not entail any change in contractual conditions or in the interest rates applied, which are in line with market rates, the amortized cost method was not applied to these loans, partly because the effects would not be significant.

The Parent Company has obtained the SACE/Mediocredito guarantee provided for by the Covid-19 regulation on the following loans:

	Amount	Warranty
UNICREDIT LOAN	2,000,000	SACE
CREDIT AGRICOLE LOAN	2,250,000	MEDIOCREBITO
BANCA SELLA LOAN	1,000,000	FEI FUND
INTESA SANPAOLO LOAN	1,650,000	MEDIOCREBITO
BPM MORTGAGE	500,000	MEDIOCREBITO
BPM MORTGAGE	1,500,000	MEDIOCREBITO
TOTAL	8,900,000	

Payables are broken down by geographical area as follows:

	Italy	EU	Non EU	TOTAL
Borrowings from banks	20,159,716			20,159,716
Borrowings from other lenders	2,146,878	12,357		2,159,235
Trade payables	4,981,604	234,786	365,645	5,582,035
Due to subsidiaries			7,857	7,857
Payables to associated companies	441,295	224,341	436,650	1,102,286
Tax payables	505,290	2,156	75,686	583,132
Payables to social security institutions	818,864	56	21,932	840,852
Other payables	1,826,411	5,116	124,943	1,956,470
TOTAL PAYABLES	30,880,058	478,812	1,032,713	32,391,583

Payables due to associated undertakings may be broken down as follows:

Payables to associated companies	Current year
DANTE SRL	433,594
STAR AG	340,882
STAR CZECH S.R.O.	40,260
STAR SERV.LINGUISTICOS LDA	48,727
STAR PREVAJALSKE STORITVE D.O.O Ljubljana	31,606
STAR SOFTWARE SHANGHAI CO. LTD	30,179
STAR POLAND EURO	30,360
STAR INFORMATION ENGINEERING S.L.	21,769
STAR HUNGARY KFT	20,153
STAR JAPAN TOKYO	15,425
STAR Information Services & Tools S.R.L.	14,124
STAR GROUP SCANDINAVIA AB	11,229
STAR UK LIMITED	9,926
STAR SPB - RUSSIA	8,726
STAR GROUP AMERICA LLC	7,596
STAR AG TAIWAN BRANCH	7,586
IAMDEV STP SRL	6,926
STAR KOREA AG	4,556
STAR TURCHIA INF.SERVICES LTD STI	3,428
STAR DO BRASIL LOCALIZACAO E TECNOLOGIA LTDA	3,110
STAR SOFTWARE INDONESIA	2,261
STAR SERVICIOS LINGUISTICOS	1,887
STAR EGITTO MIDDLE EAST LTD CAIRO	1,708
STAR POLONIA ZLOTY	1,555
STAR J&M FINNLAND OY	1,367
STAR TRANSLATION & SOFTWARE THAILAND CO., LTD	1,054
STAR PARIS	569
STAR TECHNOLOGY SOLUTIONS	530
GRAFICA E EDITORA STARCOM LTDA	214
STAR CO., LTD	118
STAR SA	110
STAR DEUTSCHLAND GMBH	750
	1,102,286

E) Accrued expenses and deferred income

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
1,192,633	272,250	920,383

These represent the liaison items for the year calculated on an accruals basis and consist of accrued interest payable on the lease contract for 7,167 euros and the remainder, primarily deferred income for revenues paid in advance but pertaining to the following year.

As of 31/12/2020, there are no accruals or deferrals with a duration of more than five years.

Income Statement

A) Value of production

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
44,605,149	53,713,668	9,108,519

The breakdown of revenues by business segment is as follows:

Business sector	31/12/2020	31/12/2019	Change
Revenues from translation and interpreting	14,665,718	17,306,547	-2,640,829
Revenues from authoring	17,458,690	22,088,818	-4,630,128
Revenues from printing	3,600,908	5,659,283	-2,058,375
Misc. services	7,735,312	6,071,676	1,663,636
Total	43,460,628	51,126,324	-7,665,696

The breakdown of the value of revenues by geographical area is as follows:

Geographical area	31/12/2020	31/12/2019	Change
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Italy	33,967,445	37,564,751	-3,597,306
EU	3,101,050	3,801,080	-700,030
NON EU	6,392,133	9,760,493	-3,368,360
Total	43,460,628	51,126,324	-7,665,696

Revenues earned from related parties are as follows:

COMPANY	ITALY	EU	NON EU	TOTAL
STAR AG			55,433	55,433
DANTE SRL	18,384			18,384
STAR BARCELONA		452		452
STAR CZECH S.R.O.		3,992		3,992
STAR JAPAN CO., LTD			9,578	9,578
STAR GROUP AMERICA LLC			2,652	2,652
STAR IRELAND		16,920		16,920
STAR UK LIMITED			5,024	5,024
STAR SWEDEN		23,215		23,215
STAR PARIS		71,377		71,377
STAR ROMANIA		57		57
STAR DEUTSCHLAND GMBH		158,362		158,362
STAR SA		43,564		43,564
TOTAL	18,384	317,939	72,686	409,009

"Other revenues" include, inter alia, grants for R&D tax credits and grants of a public nature received during the year in response to the Covid-19 epidemiological emergency, quantified in the subsequent note dedicated to Article 1 of Law 124/2017. They are posted to item A5 "Other revenues and income" in the Income Statement, on an accruals basis and in the period in which the right to receive them arises with certainty.

B) Costs of production

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
42,080,435	49,505,524	- 7,425,089

Costs of production are all inherent in the production of revenues and accrued during the period.

Description	31/12/2020	31/12/2019	Change
Raw and ancillary materials and goods	2,994,114	3,585,846	- 591,732
Services	19,108,749	23,302,207	- 4,193,458
Leased assets	1,426,375	1,428,090	- 1,715
Wages and salaries	11,489,329	14,113,946	- 2,624,617
Social security contributions	3,530,881	3,520,151	10,730
Employees' leaving entitlement	798,697	674,104	124,593
Pensions and similar obligations	-	-	-
Other personnel costs	117,925	335,216	- 217,291
Amortisation	1,101,567	981,101	120,466
Depreciation	585,053	718,021	- 132,968
Other write-downs of fixed assets	-	-	-
Write-downs of receivables in current assets	129,992	13,120	116,872
Change in inventories Raw materials	- 236,629	- 25,791	- 210,838
Provisions for risks	40,000	25,465	14,535
Other provisions	-	-	-
Sundry operating expenses	994,382	834,048	160,334
Total	42,080,435	49,505,524	- 7,425,089

Cost of raw materials, ancillary materials, consumables and goods for resale and Cost of services

They are closely related to the information provided in the section of the Report on Operations and the performance of Item A (Value of Production) of the Income Statement.

Personnel costs

This item includes all expenses for employees, including merit payments, changes in category, contingency payments, the cost of unused vacation time and provisions pursuant to legislation and collective labour agreements.

It should be noted that in 2020 the Group companies made use of the social shock absorbers provided for by the regulations issued to counter the Covid-19 epidemic.

The use of the wage supplementation allowance was the subject of an audit in the early months of the current year by the Finance Police of Alessandria, which was completed without finding fault, having correctly complied with the provisions of the Law

Amortization of intangible and tangible fixed assets

Depreciation/amortisation has been calculated on the basis of the useful life of the assets and their participation in the production phase. Reference should be made to the notes on intangible and tangible fixed assets for any suspensions/reductions in amortization as a result of the Covid-19 epidemiological emergency.

Costs recorded with related parties are as follows:

COMPANY	ITALY	EU	NON EU	TOTAL
STAR AG			476,262	476,262
STAR SERV.LINGUISTICOS LDA		157,497		157,497
STAR SOFTWARE SHANGHAI CO. LTD			69,402	69,402
DANTE SRL	530,222			530,222
IAMDEV S.T.P. S.R.L	6,926			6,926
STAR PREVAJALSKE STORITVE D.O.O Ljubljana		226,168		226,168
STAR INFORMATION ENGINEERING S.L.		97,836		97,836
STAR CZECH S.R.O.		260,473		260,473
STAR POLAND EURO		199,758		199,758
STAR JAPAN CO., LTD			116,869	116,869
STAR HUNGARY KFT		68,218		68,218
STAR AG TAIWAN BRANCH			22,204	22,204
STAR SERVICIOS LINGUISTICOS		28,991		28,991
STAR Information Services & Tools S.R.L.		55,248		55,248
STAR GROUP SCANDINAVIA AB		14,753		14,753
STAR EGITTO MIDDLE EAST LTD CAIRO			15,825	15,825
STAR KOREA AG			22,065	22,065
STAR UK LIMITED			50,857	50,857
STAR SPB - RUSSIA			21,385	21,385
STAR TURCHIA INF.SERVICES LTD STI			5,117	5,117
STAR SOFTWARE INDONESIA			9,945	9,945
STAR PARIS		3,150		3,150
STAR J&M FINNLAND OY		7,647		7,647
STAR DO BRASIL LOCALIZACAO E TECNOLOGIA LTDA			7,824	7,824
STAR CO., LTD			1,713	1,713
STAR DEUTSCHLAND GMBH		4,940		4,940
STAR TRANSLATION & SOFTWARE THAILAND CO., LTD			3,422	3,422
STAR VERTALINGEN BV		4,057		4,057
TOTAL	537,148	1,128,735	822,889	2,488,771

C) Financial income and expense

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
- 317,711-	247,878-	69,833

Breakdown of interest and other financial expense by type of debt

Description	31/12/2020	31/12/2019	Change
Interest payable on current accounts, advances, factoring	179,979	97,711	82,268
Interest payable on loans	69,142	77,417	- 8,275
Interest payable on leases	80,787	79,827	960
Interest payable to tax authorities	1,437	121	1,316
Interest due to suppliers and other financial charges	4,198	25,574	- 21,376
Total	335,543	280,650	54,893

No details are provided for financial income due to the insignificance of the amounts.

D) Value adjustments to financial assets and liabilities

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
- 73,589	-	73,589

The revaluation of 16,614 euros reflects alignment of the value of the investment in the Brazilian associated undertaking, Star Comunicacao e Servicos - SCP, with the equity method.

The write-down of 90,203 euros reflects alignment of the value of the investment in the Brazilian associated undertaking, Grafica e Editora Starcom Ltda, with the equity method.

Current, deferred and prepaid income taxes for the year

Balance as at 31/12/2020	Balance as at 31/12/2019	Change
448,296	1,456,940-	1,008,644

Description	31/12/2020	31/12/2019	Change
Current taxes:	576,914	1,260,934	-684,020
IRES - IRAP - other taxes	576,914	1,260,934	-684,020
Prior year taxes	0	181,898	-181,898
Deferred tax liabilities (assets):	-128,618	14,108	-142,726
Total	448,296	1,456,940 -	1,008,644

Taxes for previous years refer to the repayments made following acceptance of the Finance Police's tax audit report of June 27, 2019 in respect of the Parent Company.

Deferred tax assets/liabilities

Details are provided below.

DEFERRED TAX ASSETS	Taxable amounts				Deferred tax assets			
	31/12/2019	Change	Delta %	31/12/2020	31/12/2019	Change	Delta %	31/12/2020
Provision for doubtful debts in excess of deductible amount	406,150	7,946		414,096	97,476	1,907		99,383
Undeducted costs to be recovered		514,468		514,468		123,472		123,472
Tax losses carried forward		533,281		533,281		127,987		127,987
Star7 Printing and Car Leasing		45,914		45,914		12,810		12,810
Techworld goodwill amortization	173,459		- 14,659	158,800	43,440		- 3,670	39,770
Mark-to-market financial derivatives liabilities		48,201		48,201		11,568		11,568
Intra-group profits eliminated in the consolidated financial statements	30,122	- 10,041		20,081	8,404	- 2,801		5,603
	609,731	1,139,769	- 14,659	1,734,841	149,320	274,944	- 3,670	420,594

DEFERRED TAXES	Taxable amounts				Deferred taxes			
	31/12/2019	Change	Reclassifications	31/12/2020	31/12/2019	Change	Reclassifications	31/12/2020
Suspended intangible amortization L. 126/2020		261,992		261,992		73,095		73,095
Depreciation of suspended materials L. 126/2020		280,104		280,104		79,149		79,149
Real estate leasing	205,029	40,125		245,154	57,203	11,195		68,398
Other minor		3,728	10,000	13,728		1,040	3,843	4,883
	205,029	585,949	10,000	800,978	57,203	164,479	3,843	225,525

Information on financial instruments issued by the company

The Group has not issued any financial instruments.

Information on the fair value of derivative financial instruments

Reference should be made to the notes to the liability item "Allowances for risks and charges".

Information on financial fixed assets recorded at a value higher than fair value

No financial assets are recorded in the consolidated financial statements at a value greater than their fair value.

Information on transactions carried out with related parties (ref. art. 38, first paragraph, letter o-quinquies), Legislative Decree no. 127/1991)

Transactions with related parties were mainly with STAR AG, Dante s.r.l. and companies in which they hold investments. These transactions were carried out at conditions in line with market conditions. Details are provided in the notes to the various balance sheet and income statement items.

A short-term loan of €287,500 was provided in 2019 to the associate DANTE S.r.l., which was repaid in 2020 (see note on financial fixed assets).

Information on agreements not shown in the balance sheet (ref. art. 38, first paragraph, letter o-sexies), Legislative Decree no. 127/1991

There are no agreements not reflected on the Balance Sheet that need to be reported.

Information on the fees payable to the Independent Auditors (ref. art. 38, paragraph 1, letter o-septies), Legislative Decree no. 127/1991)

For the year ended 12/31/2020, the fees accrued for services rendered by the Independent Auditors amounted to:

- for the legal audit of the financial statements and the consolidated financial statements: 35,500 Euros for BDO Italy, 11,000 Euros for BDO U.S.A. (Croskey Lanni), 9,000 euros for BDO Brazil;
- review of the semi-annual report: €17,000;
- other services (audit of pro-forma statements): €7,500;
- other attestation services (R&D tax credit): €6,000.

Information pursuant to Article 1, paragraph 125 of Law No. 124 of August 4, 2017

Income from tax credits for research and development activities pursuant to Legislative Decree no. 145/2013 **was** recorded for a total of € 346,330 (activities carried out by STAR7 S.p.A., STAR7 Engineering s.r.l., STAR7 Printing s.r.l. and AD Studio s.r.l.).

STAR7 Printing s.r.l. has also benefited from a contribution under "Industria 4.0" of € 46,650.

The Italian companies have benefited from non-repayable grants, variously denominated in accordance with the regulations issued to combat the Covid-19 epidemic (non-repayable grants, sanitization, etc.) for a total of € 99,427.

Significant events occurring after the end of the financial year and outlook for 2021

Following the closure of the year, activities linked to the process of listing on AIM Italia continued, entailing a series of checks (tax, fiscal, legal, financial, contractual, etc.) by the auditors and consultants appointed by the Parent Company.

The persistence of the Covid-19 epidemiological emergency should be highlighted, and at the time of writing this Report, almost the entire national territory is once again in lock-down (red zone) to deal with the emergency, which is worsening due also to virus mutations, despite the fact that the vaccination campaign has been underway since the early days of 2021.

This persistence of emergence does not result in adjustments for subsequent events to budget balances: in this regard, in drawing up these Financial Statements, the Management Body took account of the worsening of the general economic situation caused by the emergency, above all with regard to the collectability of trade receivables, but did not make use of any of the derogations to the reference Accounting Standards permitted by the emergency legislation (Law Decree 18/2020 "Cure Italy", Law Decree 23/2020 "Liquidity", Law Decree 34/2020 "Relaunch", Law Decree 104/2020 "August" and subsequent "Ristori" Decrees) above all with regard to business continuity, with the exception of the suspension/reduction of amortization on certain categories of intangible fixed assets.

With reference to the audit by the Alessandria Tax Revenue Office that began in January 2020 and relates to

the Parent Company's 2017-2018 tax years, concerning the use of tax credits for research and development activities in compensation pursuant to art. 3, paragraph 1, Law Decree no. 145 of December 23, 2013 and subsequent amendments and additions, it should be noted that no further information is available to date.

Firms that prepare the financial statements of the larger/smaller set of firms to which you belong as a subsidiary

Pursuant to the law, we provide the information required by Article 2427, first paragraph, no. 22 quinquies and sexies) of the Italian Civil Code.

	Better together
Company Name	STAR AG
City (if in Italy) or foreign country	SWITZERLAND
Tax ID No	CHE- 02.892.540
Place of filing of the consolidated financial statements	SWITZERLAND

Other information

Pursuant to the law, it should be noted that in the financial year ending on 31/12/2020 compensation of EUR 602,970 was paid to the Board of Directors of the Parent Company, while the compensation due to the members of the Board of Statutory Auditors amounted to EUR 17,500. There are no advances or other benefits paid to the above parties

These consolidated financial statements, which comprise the balance sheet, income statement, cash flow statement and notes, present a true and fair view of the Company's financial position and results of operations, and correspond to the accounting records of the Parent Company and to the information provided by the businesses included in the consolidation.

Alessandria (Italy), 19 April 2021

Chairman of the Board of Directors
Lorenzo Mondo

STAR7

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