



BALANCE SHEET AS AT 31 DECEMBER 2020

*This document is a courtesy translation from Italian into English.
In case of any inconsistency between the two versions, the Italian original version shall prevail.*

*Headquarters in Milan (MI) - Via Giuseppe Parini n. 9
Share capital Euro 5,254,100 =
Tax code, VAT number and
registration number in the Business Register of Milan Monza Brianza Lodi 10354300013
REA number MI-2540487*

MATICA FINTEC Ltd.

Headquarters in Milan (MI) - Via Giuseppe Parini n. 9
Share capital Euro 5,254,100. =
Tax code, VAT number and registration number at
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MANAGEMENT REPORT

FOR THE FISCAL YEAR AT 31 DECEMBER 2020

Dear Shareholders,

these financial statements for the year ended 31 December 2020 have been prepared in accordance with the IAS / IFRS principles.

Operating conditions and business development

Our company develops, produces and markets systems for issuing security documents (driving licenses, passports, identity cards and financial cards) and, thanks to huge investments in innovative products made in the past fiscal years, it has become an international calibre player in a few years. In fact, our company is an innovative medium-sized company located in Italy which exports 95% of its value of production to more than 100 worldwide countries.

The safety document market is steadily growing as it is clear that most countries in the world need an identification document with ever higher safety standards to face any counterfeiting attempts and to contain as much information as possible that identifies their citizens (IDs, passports, driving licenses, migration documents). In addition, an aspect of fundamental importance for this kind of documents is the durability of the card. In fact, the life expectancy of ID documents is much longer than other smart cards and their replacement can be one of the most significant cost elements for governments. Our research and development department is designing innovative technological solutions that will be applied to this market that requires a constant effort in step with the most advanced technologies that raise the level of safety and guarantee the fundamental requirements of durability and reliability.

The financial market, on the other hand, records less growth worldwide, except for some areas where the trend of issuing a financial card directly at the bank counter has opened up a new and sophisticated market. This trend was the driver that led us to decide to develop new finance systems for instant issuance, more compact solutions that allow the on-demand payment card personalization directly at the bank branch, thus reducing time and providing the customer with an immediate and high-level service. Also, the contactless market is recording significant growth as it allows the user to make a touchless payment, thus avoiding any contact.

Another financial market niche that is recording strong growth is that of special applications where we position ourselves among the global market leaders with our centralized laser issuing solutions.

We also expect that the world of bank cards rather than undergo a sharp decline will require increasingly technologically sophisticated systems that will store data relating to the transaction itself, biometric data and financial data.

In accordance with the Article 2428 of the Italian Civil Code, it should be noted that the activity is carried out at the headquarters in Galliate (NO), Omar alley, 33, where the administrative offices and the production plant are located. The company does not carry out activities in secondary offices.

Management and Financial Trends

From a management point of view, the company closed the 2020 fiscal year with revenues slightly down compared to those achieved in the previous year, reaching a value of Euro / 000 12,010 (Euro/ 000 14,322 in 2019).

In the 2020 fiscal year, the company recorded a gross operating revenue (EBITDA) equal to Euro / 000 2,164 (approximately 18% of the 2020 turnover) against Euro/ 000 3,178 in 2019.

The operating result (EBIT) 2020 is equal to Euro / 000 541 against a value of Euro / 000 651 in 2019.

The 2020 fiscal year closed with a profit of Euro / 000 50 compared to a profit of Euro / 000 308 in the previous year.

Below is the reclassification for management purposes of the income statement as at 31/12/2020 and 31/12/2019:

Reclassified management income statement at 31 December 2020 and 31 December 2019

| Income statement | 31/12/2020 | 31/12/2019 |
|---|-------------------|-------------------|
| <i>(Data in Thousands Euro)</i> | | |
| Revenues and Proceeds | 12,010 | 14,322 |
| Other revenues and proceeds | - | - |
| Variation inventories WIP and PF | - | - |
| Capitalized works in progress | 731 | 650 |
| Other depreciations and utilizations | - | - |
| Revenues | 12,741 | 14,972 |
| COGS (including variation of inventories) | (5,233) | (6,104) |
| Gross margin | 7,508 | 8,868 |
| Services | (1,963) | (2,235) |
| Employees | (3,064) | (3,137) |
| Rents and structural expenses | (246) | (249) |
| Other operating expenses | (72) | (69) |
| EBITDA | 2,164 | 3,178 |
| Amortizations and provisions | (1,622) | (2,527) |
| EBIT | 541 | 651 |
| Financial proceeds / (expenses) | (293) | (265) |
| Extraordinary proceeds / (expenses) | (45) | 293 |
| EBT | 203 | 681 |
| Taxes | (152) | (373) |
| Fiscal year result | 50 | 308 |

The management representation has the purpose of highlighting the Company's specialties in a more marked way.

The main reclassifications relating to 31 December 2020 are attributable to:

- 1) the allocation of the revenues of the expenses of transport equal to Euro 85 thousand in costs for services, while in the IAS / IFRS representation they are reclassified in revenues and proceeds.
- 2) the allocation of the variation of the inventories in the COGS (Cost of goods sold), while in the IAS / IFRS representation a part equal to Euro 503 thousand is reclassified in variation of inventories;
- 3) the allocation of extraordinary income, equal to Euro 387 thousand, in extraordinary proceeds, while in the IAS / IFRS representation they are reclassified in revenues and proceeds;
- 4) the allocation of business consulting, equal to Euro 525 thousand, in employees' costs, while in the IAS / IFRS representation they are reclassified in service charges;
- 5) the allocation of contingent liabilities, equal to Euro 434 thousand, under extraordinary charges, while in the IAS / IFRS representation they are reclassified under other operating expenses.

The main reclassifications relating to 30 December 2020 are attributable to:

1) the allocation of the revenues of the transport expenses equal to Euro 117 thousand in service charges, while in the IAS / IFRS representation they are reclassified in revenues and proceeds. The difference equal to Euro 5 thousand refers to different revenues which in the IAS / IFRS representation are reclassified under the item other revenues and proceeds;

2) the allocation of the variation of inventories in the COGS (Cost of goods sold), while in the IAS / IFRS representation a part equal to Euro 416 thousand is reclassified in variation of inventories;

3) the allocation of extraordinary income and the tax credit listing proceed, equal to Euro 567 thousand, in extraordinary proceeds, while in the IAS / IFRS representation they are reclassified under revenues and proceeds;

4) the allocation of business consulting, equal to Euro 273 thousand, in extraordinary charges, while in the IAS / IFRS representation they are reclassified under other operating expenses.

The main reclassifications relating to 31 December 2019 are attributable to:

1) the recognition of the revenues from transport costs equal to Euro 107 thousand in costs for services, while in the IAS / IFRS representation they are reclassified in revenues and proceeds. The difference of Euro 5 thousand refers to different revenues which in the IAS / IFRS representation are reclassified under the item other revenues and proceeds.

2) the allocation of the variations of the inventories in the COGS (Cost of goods sold), while in the IAS / IFRS representation a part equal to Euro 416 thousand is reclassified in variations of inventories;

3) the allocation of contingent assets and the proceeds from the listing tax credit, generally equal to Euro 567 thousand, in extraordinary income, while in the IAS / IFRS representation they are reclassified under revenues and income;

4) the allocation of contingent liabilities, equal to Euro 273 thousand, in extraordinary charges, while in the IAS / IFRS representation they are reclassified under other management charges.

From a balance sheet point of view, fixed assets increased from Euro / 000 5,957 in 2019 to Euro / 000 6,018 in 2020.

Current assets amounted to Euro / 000 4,327 in 2020 compared to a value of the previous year of Euro / 000 3,531.

Finally, net assets as of 31 December 2020 amounted to Euro / 000 7,654 compared to Euro / 000 7,479 in the previous period; the increase is mainly due to the result for the year 2019.

The net financial position is *cash negative* for Euro / 000 2,118 (liability for Euro / 000 1,328 in 2019) and highlights a variance compared to the previous year of Euro / 000 790.

| <i>Values in € / 000</i> | 31/12/2020 | 31/12/2019 |
|--|-------------------|-------------------|
| A. Cash | - | 2 |
| B. Other cash & cash equivalents | 7,361 | 5,551 |
| C. Titles held for negotiation | - | - |
| D. Liquidity (A) + (B) + (C) | 7,361 | 5,553 |
| E. Current financial debits | - | - |
| E.2 Derivative financial instruments | - | - |
| F. Current bank debits | 1,714 | 2,475 |
| G. Current part of non-current debt | 176 | 491 |
| H. Other current financial debits | - | - |
| I. Current financial debt (F) + (G) + (H) | 1,890 | 2,966 |
| J. Net current financial debt (I) - (E) - (D) | (5,471) | (2,587) |
| K. Non-current financial assets | - | - |
| L. Non-current financial balances | - | - |
| M. Non-current bank debits | 5,915 | 809 |
| N. Securities issued | - | - |
| O. Other non-current debits | - | 1,050 |
| P. Non-current financial debt (M) + (N) + (O) | 5,915 | 1,859 |
| Q. Net non-current financial debt (P) - (K) - (L) | 5,915 | 1,859 |
| Net financial position (J) + (Q) | 444 | (728) |
| R. Overdue tax debits | 1.190 | 1,538 |
| S. Overdue social security debits | 485 | 518 |
| OVERDUE TAX SOCIAL SECURITY DEBITS (R) + (S) | 1,674 | 2,056 |
| Net financial position Adj (J) + (Q) + (R) + (S) | 2,118 | 1,328 |

The main economic and financial indicators are highlighted below:

| FINANCING INDICATORS OF FIXED ASSETS | | 31/12/2020 | 31/12/2019 |
|---|---|-------------------|-------------------|
| Primary structure margin | <i>Equity - Fixed assets</i> | 1,595 | 1,480 |
| Primary structure ratio | <i>Equity / Fixed assets</i> | 1.26 | 1.25 |
| Secondary structure margin | <i>(Equity + Consolidated liabilities) - Fixed assets</i> | 2,356 | 2,293 |
| Secondary structure ratio | <i>(Equity + Consolidated liabilities) / Fixed assets</i> | 1.39 | 1.38 |

| INDEXES ON THE STRUCTURE OF FINANCING | | 31/12/2020 | 31/12/2019 |
|--|-------------------------------------|-------------------|-------------------|
| Total indebtedness ratio | <i>(Pml + Pc) / Equity</i> | 0.75 | 0.73 |
| Financial indebtedness ratio | <i>Financing liability / Equity</i> | 1.00 | 0.46 |

| PROFITABILITY INDEXES | | 31/12/2020 | 31/12/2019 |
|------------------------------|---|-------------------|-------------------|
| Net ROE | <i>Net result / Average equity</i> | 1% | 4% |
| Gross ROE | <i>Gross result / Average equity</i> | 3% | 9% |
| ROI | <i>Operating Result / (Average CIO - Average Operating Liabilities)</i> | 6% | 17% |
| EBITDA on revenues | <i>Gross Operating Margin / Revenues</i> | 16% | 22% |

| | | | |
|-----|-----------------------------------|----|----|
| ROS | Operating result / Sales revenues | 4% | 7% |
|-----|-----------------------------------|----|----|

| SOLVENCY INDICATORS | | 31/12/2020 | 31/12/2019 |
|---------------------|---|------------|------------|
| Availability margin | <i>Working Capital assets - Current liabilities</i> | 2,934 | 1,679 |
| Availability ratio | <i>Working Capital assets / Current liabilities</i> | 1.67 | 1.32 |
| Treasury margin | <i>(Deferred liquidity + Immediate liquidity) - Current liabilities</i> | 2,993 | 265 |
| Quick ratio | <i>(Deferred Cash + Immediate Cash) / Current Liabilities</i> | 1.69 | 1.05 |

Research and development activities

During the year, the company carried out research and development activities, proceeding various projects, some of which ended with the launch of two new innovative systems, others which, at the closing date of the financial statements, are still being completed.

In particular, the Company has carried out both industrial research activities and experimental research.

Relations with subsidiaries, associates, parent companies and related parties

The company had the following relationships with the parent company:

| Description | Financial debts | Accounts receivables | Accounts Payables | Invoices to be received | Advances | Costs | Revenues | Interest expense on financing |
|------------------------|-----------------|----------------------|-------------------|-------------------------|----------|----------------|----------------|-------------------------------|
| Matica Technologies AG | 0 | 80,639 | (13,999) | (1,200) | - | (4,975) | 103,278 | 10,125 |
| Total | 0 | 80,639 | (13,999) | (1,200) | - | (4,975) | 103,278 | 10,125 |

The company had the following relations with related parties:

| Description | Financial debts | Accounts receivables | Accounts Payables | Invoices to be received | Advances | Costs | Revenues | Interest expense on financing |
|-----------------------------|-----------------|----------------------|-------------------|-------------------------|----------------|------------------|----------------|-------------------------------|
| Matica Corp | - | 162,583 | (1,862) | - | (2,548) | (84,497) | 668,341 | - |
| Matica Technologies FZE | - | 5,642 | 1,701 | - | - | (331,630) | 174,985 | - |
| Matica Technologies Beijing | - | 3,167 | - | 11,962 | - | (53,141) | 46,100 | - |
| Matica Technologies PTE | - | - | - | - | - | (65,236) | - | - |
| Total | - | 171,391 | (161) | 11,962 | (2,548) | (534,504) | 889,425 | - |

In defining a related party, the company referred to Consob regulation no. 17221 of 12/03/2010 and subsequent changes and additions. These relationships, which do not include atypical and / or unusual transactions, are regulated at normal market conditions.

Number and nominal value of both treasury stock and shares or dues of parent companies

The company does not hold treasury stock or shares or dues in parent companies.

Significant events occurring after the closing of the fiscal year

It should be noted that Matica Fintec has put in place and continues to maintain all the measures request by the Government and aimed, on the one hand, at protecting its staff from the risk of COVID-19 contagion and, on the other, at continuing production activities, legitimately and safely, also in order to guarantee the continuity of the supply chain.

More precisely:

in order to allow the continuation of production activities together with the delivery of goods, Matica acted without delay by complying with all the measures provided for in the "Shared Regulatory Protocol of measures to combat and contain the spread of the Covid virus - 19", signed on March 14, 2020 by trade unions and employers at the invitation of the President of the Council, and the Ministers of Economy, Labour, Economic Development and Health, including those that are not mandatory, but only optional.

With particular regard to the specific actions undertaken, an exhaustive list is given below.

- INFORMATION (posting and dissemination of notices containing all the procedures);
- METHOD OF ACCESS THE COMPANY (temperature control procedure, entry and transit, anamnestic questionnaire);
- ACCESS PROCEDURES FOR EXTERNAL SUPPLIERS (distances, hygiene, anamnestic questionnaires);
- CLEANING AND SANITIZATION IN THE COMPANY;
- PERSONAL HYGIENIC PRECAUTIONS;
- PROVISION OF PERSONAL PROTECTIVE EQUIPMENT;
- MANAGEMENT OF COMMON SPACES (shift plans and space ventilation);
- COMPANY STRUCTURE (smart working, suspension of commercial travel for employees and the TCC, insurance coverage for all Covid employees - 19);
- EMPLOYEE ENTRY AND EXIT MANAGEMENT;
- INTERNAL TRAVEL, MEETINGS, INTERNAL EVENTS AND TRAINING;
- MANAGEMENT OF A SYMPTOMATIC PERSON IN THE COMPANY;
- HEALTH SURVEILLANCE / COMPETENT DOCTOR / RLS;
- UPDATING OF THE REGULATORY PROTOCOL;
- ESTABLISHMENT OF AN INTERNAL PRO TEMPORE COMMITTEE FOR THE APPLICATION AND VERIFICATION OF THE RULES OF THE REGULATORY PROTOCOL.

Taking advantage of the tools made available by the law to allow companies to cope with financial difficulties related to the contingent situation, Matica has applied to INPS (social security service) so that employees whose work duties reduced or inhibited can benefit from the Ordinary Redundancy Fund (CIGO) for the Coronavirus epidemiological emergency (COVID-19).

The implementation of the ex. Legislative Decree 231, adopted on 14 October 2020, continues through the publication of the Code of Ethics and the Disciplinary System and the organization of a staff training plan with the participation of all employees and active involvement of the heads of the company's apical functions by the Supervisory Body.

Foreseeable evolution of operations

During 2021, management will develop based on the strategic guidelines announced at the time of the IPO, aimed at consolidating volume growth, both in terms of resources, turnover and market share.

At present, given the uncertainty caused by the COVID-19 epidemiological emergency, it is not the duration of this emergency, nor is it possible to specify the extent to which it will have economic and financial effects on the Company's 2021 accounts.

However, the data in our possession testify to a positive trend, confirming that the Company has the possibility and capacity to cope with the serious epidemic crisis without problems of business continuity.

Use of financial instruments

Pursuant to art. 2428 paragraph 2 point 6-bis a), we inform you that the company has not issued financial instruments of any kind.

Company exposure to price, credit, liquidity, and market risks

Pursuant to art. 2428, paragraph 2, point 6-bis b) of the Italian Civil Code, information is provided below on the use of financial instruments is provided below, as they are relevant for the purposes of evaluating the equity and financial situation.

Credit risk

Credit risk is represented by the possibility that the issuer of a financial instrument will default on its obligation and cause a financial loss to the subscriber.

Credit risk arises from sales made in the ordinary course of business activities and from the use of financial instruments involving the settlement of positions with the counterparty.

As far as commercial transactions are concerned, the company works with medium-and-large-sized counterparties for whom credit checks are carried out in advance.

The company implements a procedure for evaluating and controlling its customer portfolio, also through constant monitoring of collections. In the event of excessive or repeated delays, supplies are suspended.

Losses on receivables historically recorded are very low in relation to the value of production and do not require specific coverage and/or insurance.

As regards financial transactions, these are carried out by leading financial institutions of large size and high creditworthiness, whose rating is monitored in order to limit the risk of counterparty insolvency.

Liquidity risk

Liquidity risk can manifest itself in the inability to obtain, at economic conditions, the financial resources necessary for the Company's operations. The two main factors affecting the Company's liquidity are:

- The financial resources generated or absorbed by operating or investing activities;
- The maturity characteristics of financial debt.

The Company finances its activities both through the cash flows generated by operations and through recourse to external financing sources and is therefore exposed to liquidity risk, represented by the fact that financial resources are not sufficient to meet financial and commercial obligations within the established terms and deadlines. The company's cash flows, funding requirements and liquidity are controlled by considering the maturity of the financial assets (trade receivables and other financial assets) and the cash flows expected from the related transactions. The company has both secured and unsecured credit lines, consisting of short-term revocable lines in the forms of hot financing, bank overdrafts and endorsement credit.

It should be noted that on 31 December 2020, liquidity risk is mitigated by the cash & cash equivalent held.

As regards the exposure related to trade payables, there is no significant concentration of suppliers.

The management believes that the funds generated by operating and financing activities will allow the Company to satisfy its needs arising from investment activities, working capital management and repayment of debits at their contractual maturity.

Interest rate risk

As financial indebtedness is mainly regulated by fixed interest rates, it follows that the company is not significantly exposed to the risk of their fluctuation. The evolution of interest rates is however monitored by the Company and in relation to their evolution, the opportunity to proceed with adequate hedging of the interest rate risk may be evaluated. At present, the Company does not hedge itself, considering the insignificant impact on the income statement deriving from changes in interest rates.

Currency risk

The exposure to the risk of changes in exchange rates arises from conducting business in currencies other than the euro. The Company conducts its business mainly in Euros, and in any case most of its transactions; therefore, this risk must be considered negligible.

As regards the other risks to which the company is exposed, not mentioned in this paragraph, reference should be made to paragraph 4 of the Explanatory Notes.

Information relating to the environment

In relation to this type of information, the Company reports that it has not incurred any significant expenses or made significant investments in environmental matters, in consideration of the type of activity carried out which does not present particular risks.

Information on Employees

The following main information is provided:

- during the fiscal year under review there were no deaths at work, no accidents or charges relating to occupational diseases;
- the Company complies with the regulations on the protection and safety of workers (Legislative Decree no. 81 of 9 April 2008, no. 81) and the related risk assessment.

Below is a summary table that provides further information on employees:

| Employees | 31-12-20 | 31-12-19 |
|-----------------------------|-----------------|-----------------|
| Executives | 3 | 3 |
| Clerical staff | 33 | 31 |
| Manual workers | 21 | 23 |
| Total average number | 57 | 57 |

Allocation of the profit of the fiscal year

Dear Shareholders, we proposed to allocate the profit for the year, amounting to Euro 50,433, as follows:

- Euro 2,522 to legal reserve
- Euro 47,911 retained earnings

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

Milan, March 15, 2021

The Chairman of the Board of Directors

(Mr. Sandro Camilleri)