BALANCE SHEET
31 DECEMBER 2020

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In case of any inconsistency between the two versions, the Italian original version shall prevail.

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

Balance sheet and financial situation

Values in euro	Notes	31-12-20	31-12-19
Non-current assets			
Tangible fixed assets	**6**	523,220	686,651
Plant and machinery		*181,105*	*224,084*
Furniture and equipment		*142,983*	*226,331*
Vehicles		*89,355*	*92,493*
Improvements on leased assets		*30,244*	*45,186*
Other property, plant, and equipment		*79,533*	*98,556*
Intangible fixed assets	**7**	5,494,393	5,270,715
Development Costs		*3,114,256*	*2,843,628*
Patents Trademarks and other rights		*7,155*	*13,130*
Software		*57,361*	*97,874*
Other intangible assets		*1,215,621*	*1,216,082*
Goodwill		*1,100,000*	*1,100,000*
Other non-current assets	**8**	41,608	42,328
Deferred tax assets	**9**	307,032	371,581
Total non-current assets		**6,366,253**	**6,371,275**
Current assets			
Inventories	**10**	3,513,087	3,009,814
Tax receivables	**11**	28,102	608,409
Trade and other receivables	**12**	3,251,579	2,585,995
Cash and cash equivalents	**13**	7,360,978	5,552,697
Other assets	**14**	201,908	390,796
Total Current Assets		**14,355,654**	**12,147,711**
Total assets		**20,721,907**	**18,518,986**
Net Assets			
Share capital		5,254,100	5,254,100
Legal reserve		19,397	4,000
Other reserves		3,335,153	3,211,082
Profits (losses) carried forward		(1,005,151)	(1,297,689)
Net profit/loss for the period		50,433	307,935
Total shareholders' equity	**15**	**7,653,932**	**7,479,429**
Non-current liabilities			
Financial debts	**16**	6,049,099	1,972,533
Provision for other employees' benefits	**17**	483,829	398,513
Deferred tax liabilities and tax provisions	**18**	89,039	75,382
Non-current tax payables	**19**	997,188	1,174,869
Other non-current liabilities	**20**	277,849	414,368
Total Non-Current Liabilities		**7,897,003**	**4,035,666**
Current Liabilities			
Financial debts	**16**	1,889,509	2,966,253
Current tax payables	**19**	406,835	707,645
Trade and other payables	**21**	1,798,730	2,435,018
Other current liabilities	**20**	1,075,897	894,975
Total Current Liabilities		**5,170,972**	**7,003,891**
Total shareholders' equity and liabilities		**20,721,907**	**18,518,986**

Comprehensive income statement

Values in euro	Notes	31-12-20	31-12-19
Sales Revenues	**22**	12,009,990	14,433,919
Other Revenues and Proceeds	**22**	401,121	573,929
Change in inventories	**10**	503,273	416,270
increments of internal work capitalized under fixed assets	**7**	730,926	649,513
Total Revenues		**13,645,309**	**16,073,631**
Costs for purchases	**23**	(5,568,086)	(6,293,748)
Other operating costs	**24**	(3,246,139)	(3,222,130)
Costs for Services		*(2,498,453)*	*(2,620,903)*
Costs for use of assets owned by others		*(206,749)*	*(217,425)*
Other Operating Costs		*(540,936)*	*(383,803)*
Employees Costs	**25**	(2,679,232)	(3,065,513)
Operating costs		**(11,493,457)**	**(12,581,391)**
EBITDA		**2,151,852**	**3,492,240**
Amortizations	**6 , 7**	(1,530,163)	(2,398,912)
Provisions for risks	**26**	(15,087)	(74,154)
Revaluations / (Depreciations)	**27**	(77,042)	(17,981)
Operating profit/loss		**529,561**	**1,001,193**
Financial Proceeds		42,419	28,250
Financial Charges		(369,248)	(348,629)
Net Financial Proceeds (Charges)	**28**	**(326,829)**	**(320,379)**
Profit/loss before taxation		**202,732**	**680,815**
Current Taxes		(75,132)	(127,777)
Advanced Taxed /(deferred)		(77,168)	(245,103)
Total taxes	**29**	(152,300)	(372,880)
Fiscal Year profit/loss		**50,433**	**307,935**
Basic earnings / (loss) per share (EUR per share)	**30**	0.0048	(*)
Diluted earnings / (loss) per share (EUR per share)	**30**	0.0046	(*)
Other profits/(losses) of comprehensive operating result:			
Other components of the comprehensive income statement for the period that will be subsequently released to the income statement		**-**	**-**
Other components of the comprehensive income statement for the period that will not be subsequently released to the income statement			
Actuarial gains / (losses) related to "defined benefit plans"	**17**	(44,490)	(29,781)
Total Other Profits/(Losses), net of tax effect (B)		**(44,490)**	**(29,781)**
Total comprehensive Profit/(Loss) (A) + (B)		**5,943**	**278,154**

(*) Data not present as it refers to a period in which the company was partially incorporated in the form of a limited liability company

Statement of changes in Shareholders' equity

Values in Euro/000

	Share capital	Legal reserve	Share premium reserve	Payables to non-repayable funds	Capital contribution reserve	IAS 19 RESERVE	Profits (losses) carried forward	Profit/ (Loss) of fiscal year	Total shareholders' equity
31-12-18	3,500	4	-	-	399	(105)	(1,065)	(233)	**2,501**
Attribution of the result	-	-	-	-	-	-	(233)	233	-
Capital increase	1,754	-	4,245	-	-	-	-	-	5,999
Ancillary charges to capital ii	-	-	(924)	-	-	-	-	-	(924)
Other turnover	-	-	-	-	(374)	-	-	-	(374)
Comprehensive proft/loss	-	-	-	-	-	(30)	-	308	278
31-12-19	5,254	4	3,320	-	25	(134)	(1,298)	308	**7,479**
Attribution of the result	-	15	-	-	-	-	293	(308)	-
Other turnover	-	-	-	-	(9)	-	-	-	(9)
Payments of non-repayable fi	-	-	-	177	-	-	-	-	177
Comprehensive proft/loss	-	-	-	-	-	(44)	-	50	6
31-12-20	5,254	19	3,320	177	16	(179)	(1,005)	50	**7,654**

Financial statement

Values in euro

		31-12-20	31-12-19
Profit (loss) for the fiscal year before taxes		202,732	680,815
Adjustments for:			
- non-monetary items - devaluations (revaluations)		77,042	17,981.18
- non-monetary items - provisions / (releases)		15,087	74,154
- Financial Proceeds		(42,419)	(28,250)
- Financial Charges		369,248	348,629
- non-monetary items - depreciation		1,530,163	2,398,912
Adjusted profit for the period (loss) before taxes		**2,151,852**	**3,492,240**
Cash and cash equivalents generated by transactions			
- Income taxes paid		27,720	(329,188)
	Total	**27,720**	**(329,188)**
Variations to Working Capital			
Variation in receivables from customers		(742,626)	(528,839)
Variation in inventories		(503,273)	(416,270)
Variation in payables to providers		(636,288)	(663,633)
Variation in other receivables and other payables		225,200	(683,368)
Change in employee severance pay (TFR) and other provisions		25,739	(216,944)
	Total	**(1,631,247)**	**(2,509,054)**
Cash flow from operating activities (1)		**548,325**	**653,998**
Divestments / (Investments):			
- Tangible		(101,738)	(199,023)
- Intangible		(1,488,671)	(853,394)
Cash flow from in investment activities (2)		**(1,590,409)**	**(1,052,417)**
Financial assets			
Increases/(decreases) in financial payables		3,177,194	353,432
Financial proceeds (charges)		(326,829)	(320,379)
Increases in share capital of a monetary nature		-	5,999,022
Expenses from capital transactions		-	(924,427)
Cash flow from in financing activities (3)		**2,850,365**	**5,107,648**
Cash flow from operating activities		**1,808,281**	**4,709,229**
Variation in cash and cash equivalents (1+2+3)		**1,808,281**	**4,709,229**
Cash and cash equivalents at the beginning of the period		**5,552,697**	**843,468**
Cash and cash equivalents at the end of the period		**7,360,978**	**5,552,697**

FORM AND CONTENT
OF THE FINANCIAL STATEMENTS

Premise

These financial statements for the year ended 31 December 2020 (the "Individual Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. The term "IFRS" also includes the International Accounting Standards ("IAS") still in force, as well as all the interpretative documents issued by the Interpretation Committee, formerly the International Financial Reporting Interpretations Committee ("IFRIC") and before that the Standing Interpretations Committee ("SIC") and has been prepared in accordance with the AIM Regulation.

1 Basis for presentation

The individual financial statements as of 31 December 2020 comprise the statement of financial position, the statement of comprehensive income, the statement of variances of net assets, the cash flow statement, and the explanatory notes and are accompanied by the directors' report on operations.
The format adopted for the statement of financial position distinguishes between current and non-current assets and liabilities.
The components of the profit/loss for the year are included directly in the statement of comprehensive income. The income statement format adopted provides for the classification of expenses by nature.
The statement of variances of net assets includes the amounts of transactions with equity holders and movements in reserves during the year.
In the cash flow statement, the cash flows deriving from operating activities are presented using the indirect method, whereby profit or loss for the period is adjusted for the effects of non-monetary transactions, any deferral or accruals of past or future operating cash receipts or payments, and revenue or expense items related to cash flows from investing or financing activities.
The statement of the financial position, the statement of comprehensive income, the statement of variances of net assets, and the cash flow statement are presented in Euros; amounts reported in the explanatory notes are expressed in thousands of Euros.

2 Applied accounting principles

General drafting principles

The financial statements have been prepared on a going concern basis, with the presentation currency being the Euro, and amounts shown are rounded to the nearest unit, including, unless otherwise indicated, amounts shown in the accompanying notes.

The most significant accounting principles adopted in the preparation of these financial statements are:

Tangible fixed assets

Other intangible assets are recognized in the statement of financial position only if it is probable that the use of the asset will generate future economic benefits and if the cost of the asset can be measured reliably. When these conditions are met, intangible assets are recognized at their purchase cost, which corresponds to the price paid plus any incidental expenses.

The gross book value of the other intangible fixed assets with a finite useful life is allocated on a straight-line basis over the years in which the assets are utilized, by providing the appropriation of constant amortization rates, over their estimated useful life. Depreciation begins when the asset is available for use. The depreciation rates used are based on the basis of the useful lives of the related assets.

Industrial patent and intellectual property rights are amortized on the basis of their presumed period of use, which in any case does not exceed that period fixed by the license agreements.

Development costs are amortized over the period of time in which the relative economic benefits are expected to be enjoyed.

Intangible assets with indefinite life: Goodwill

Goodwill is recognized as an asset with an indefinite useful life and is not amortized, but tested for impairment annually, or more frequently if there is an indication that specific events or changed circumstances may have caused an impairment test. Impairment losses are recognized immediately in the income statement and are not reversed subsequently. After initial recognition, goodwill is measured net of any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated at the acquisition date to the individual cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groupings of units.

Each unit or group of units to which goodwill is allocated:

- represents the lowest level at which goodwill is monitored for internal management purposes;
- it is not larger than the segments identifiable from the segment reporting.

Any impairment loss is identified by comparing the book value of the cash-generating unit and with its recoverable amount. In the event that the recoverable amount of the cash-generating unit is lower than the allocated book value, the related impairment loss is recognized. This impairment loss is not reversed if the reasons for it cease to exist.

If goodwill has been allocated to a cash-generating unit and the entity disposes of part of the operations of that unit, the goodwill associated with the operation disposed of shall be included in the carrying amount of the operation when determining the profit or loss on disposal. Goodwill associated with the discontinued operation shall be determined on the basis of the relative values of the discontinued operation and the portion of the cash-generating unit retained.

Tangible fixed assets

They are recorded at the acquisition or production cost, including directly attributable incidental expenses necessary to bring the asset to its intended use.

The cost is reduced by depreciation, except for land which is not depreciated as it has an indefinite useful life, and by any impairment losses.

Depreciation is calculated on a straight-line basis using rates that reflect the economic and technical deterioration of the asset and is computed from the time the asset is available for use. Significant parts of tangible assets that have different useful lives are accounted for separately and depreciated over their useful life.

Useful lives and residual values are reviewed annually at the end of the financial statements. The useful lives used in the preparation of these financial statements are as follows:

- Leasehold improvements: shorter of useful life and lease agreement: 10%
- Plant and machinery: 10%
- Industrial and commercial equipment: 15%
- Furniture and fittings: 12%
- Electronic office machines: 20%

Charges incurred for ordinary maintenance and repairs are directly recognized in the income statement of the period in which they are incurred. Gains and losses arising from the assignment or disposal of property, plant, and equipment are determined as the difference between the sales proceeds and the net book value of the asset and are recognized in the income statement for the period.

Leasehold improvements qualifying as fixed assets are capitalized in the category of the asset to which they relate and are depreciated over their useful life or, if shorter, over the lease term. Borrowing costs incurred in respect of investments in assets that take a substantial period of time to get ready for use or for sale (*qualifying assets* as defined in IAS 23 – Borrowing costs) are capitalized and amortized over the useful life of the class of assets to which they relate.
All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Impairment of assets

At least once a year, an impairment test is performed to determine whether the assets and/or cash-generating units ("CGUs") to which the assets are attributable may be impaired. If such evidence exists, the recoverable amount of the assets / CGUs is estimated. Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.
The recoverable amount is defined as the higher of its *fair value* fewer costs to selling and its value in use. Value in use is defined as the present value of future cash flows expected to be derived from the use of the asset, gross of taxes, by applying a discount rate that reflects current market changes in the time value of money and the risks of the asset.
When it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.
In the event that the recoverable amount of an asset (or cash-generating unit) is less than its book value, the carrying amount is reduced to recoverable amount and the loss is recognized to the income statement. Subsequently, if a loss on an asset other than goodwill ceases to exist or is reduced, the book value of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount (which, however, cannot exceed the net book value that the asset would have had if the impairment loss had never been recognized). This reversal of an impairment loss is immediately recognized in the income statement.

Financial instruments

Financial instruments, if any, are included in the balance sheet items described below. Investments and other non-current financial assets include investments in subsidiaries, other non-current financial assets. Current financial assets include trade receivables and cash and cash equivalents. In particular, the item Cash and cash equivalents includes bank deposits. Financial liabilities refer to financial tax debts, including tax debts for advances on orders, assignment of receivables, and other financial liabilities (which include the negative fair value of derivative financial instruments), trade tax debts, and other tax debts.

Non-current financial assets

Non-current financial assets other than equity investments, if any, as well as financial liabilities, are accounted for in accordance with the provisions of IFRS 9.

This category includes equity instruments for which the Company - at initial recognition or at transition - has exercised an irrevocable option to present gains and losses arising from changes in fair value in net assets (FVOCI). They are classified as non-current assets under the item “Other financial assets at fair value through other comprehensive income statements”.

They are initially recognized at fair value, including transaction costs directly attributable to the acquisition.

They are subsequently measured at fair value, and gains and losses arising from changes in fair value are recognized in a specific net assets reserve. This reserve is not reversed to the income statement. If the financial asset is sold, the amount suspended in equity is reclassified to retained earnings.

Dividends from these financial assets are recognized in profit or loss when the right to collect them arises.

Credits

Receivables are initially recognized at fair value, normally represented by the agreed consideration or the present value of the amount that will be collected. They are subsequently measured at amortized cost, reduced in the event of impairment losses. Amortized cost is calculated using the effective interest rate method, which is equivalent to the discount rate that, when applied to future cash flows, makes the present book value of those flows equal to the initial fair value.

Receivables denominated in currencies other than the functional currency of the individual entities are adjusted to period-end exchange rates through the income statement. Receivables are derecognized when the right to receive cash flows is extinguished, when substantially all risks and rewards of ownership of the receivable have been transferred, or when the receivable is deemed to be definitively irrecoverable after all necessary recovery procedures have been completed. At the same time as the receivable is derecognized, the related provision is also reversed was previously written down.

Devaluation of credits

For trade receivables, the Company applies a simplified approach, calculating the expected losses over the life of the receivables from the time of initial recognition. The Company

uses a matrix based on historical experience and linked to the aging of receivables, adjusted to take into account forecasting factors specific to certain creditors.
For financial receivables, the calculation of the write-down is made with reference to the losses expected losses in the next 12 months. This calculation is based on a matrix that includes customer ratings provided by independent market operators. In the event of a significant increase in credit risk after the date of origination of the receivable, the expected loss is calculated with reference to the entire life of the receivable. The Company assumes that the credit risk relating to a financial instrument has not increased significantly after initial recognition if it is determined that the financial instrument has a low credit risk at the balance sheet date.
The Company assesses whether there has been a significant increase in credit risk when the customer's rating, as assigned by independent market operators, undergoes a change that shows an increase in the probability of default.
The Company considers that a financial asset is in default when internal or external information indicates that it is unlikely that the Company will receive the full contractual amount due (e.g. when receivables are legal).

Debits

Debits are initially recognized at fair value, normally represented by the agreed consideration or the present value of the amount that will be paid. They are subsequently measured at amortized cost. Amortized cost is calculated using the effective interest rate method, which is equivalent to the discount rate that, when applied to future cash flows, makes the present book value of those flows equal to the initial fair value. Debits in currencies other than the functional currency of the individual entities are adjusted to the year-end exchange rates with a contracharge in the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash, bank accounts, postal office accounts, deposits repayable on demand and other short-term high liquidity financial investments that are readily convertible into cash and are subject to an insignificant risk of changes in value.

The item “Cash and cash equivalents” includes the current account of Valsabbina, whose stock is encumbered by a “Performance guarantee” pledge for participation in the so-called “Bando Croatia”, for an amount of Euro 260 thousand.

Derivative financial instruments

In accordance with IFRS9, derivative financial instruments, if any, qualify for hedge accounting only when, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, the effectiveness can be reliably measured and the hedge is highly effective throughout the various accounting periods for which it is designated.

All derivative financial instruments are measured at *fair value.*

Where a derivate financial instrument is designated as a hedge of the exposure to the variability in future cash flows of a recognized asset or liability or a highly probable forecasted transaction and could affect the income statement, the effective portion of any gains or loss on the derivative financial instrument is recognized in equity. The cumulative gain or loss on the derivative financial instrument is recognized in equity. The cumulative gain or loss is removed from equity and recognized in the income statement in the same period in which the correlated economic effect of the hedged transaction is recognized. The gain or loss associated with a hedge (or part of a hedge) that has become ineffective, is recognized in the income statement immediately. If a hedging instrument or hedge relationship is terminated, but the hedged transaction has not yet occurred, the cumulative gain or loss recognized in equity up to that point is recognized in the income statement in conjunction with the economic effects of the hedged transaction. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in equity is recognized in the income statement immediately.

Derivative instruments that cannot be accounted for using *hedge accounting* are initially recognized at cost and adjusted to *fair value* at subsequent reporting dates. Changes in *fair value* are recognized in the income statement.

Inventories

Inventories are stated at the lower of purchase or production cost and realizable value, being the amount, the entity expects to obtain from their sale in the ordinary course of business. The cost configuration adopted is the weighted average cost. Purchase costs comprise prices paid to suppliers' net of discounts and allowances.

Provisions are made against the variation of inventories determined in this way to allow for stock considered obsolete or slow-moving inventory.

Assets and liabilities held for sale

Assets and liabilities held for sale and *discontinued operations,* if any, are classified as such if their book value will be recovered mainly through a sale rather than through continuous use. These conditions are considered to have been met when the sale or discontinuance of the disposal group is considered highly probable and the assets and liabilities are available for sale in their present condition immediately.

When an entity is involved in a plan of disposal involving loss of control of an investee, all the assets and liabilities of that investee are classified as held for sale when the above conditions are met, even if the entity continues to hold a non-controlling interest in the subsidiary after disposal.
Assets held for sale assets are valued at the lower of their net book value and *fair value* net of costs to sell.

Employee benefits

Premiums paid for defined contribution plans are recognized in the income statement for the portion accrued during the year.
Until 31 December 2006, the provision for employee severance indemnity (TFR in Italy) was considered a defined benefit plan. The regulation of this provision was modified by Law no. 296 ("2007 Finance Law") and subsequent Decrees and Regulations issued in the first months of 2007. As a result of these changes, and in particular, with reference to companies with at least 50 employees, this institution is now to be considered as a defined benefit plan only for the amounts accrued before 1 January 2007 (and not yet settled at the balance sheet date), while for the amounts accrued after this date it is assimilated to a defined contribution plan.
Defined benefit pension plans, which also include the severance package due to employees pursuant to Article 2120 of the Italian Civil Code, are based on the working life of employees and the remuneration received by the employee during a predetermined period of service. In particular, the liability representing the benefit due to employees under defined benefit plans is recognized at its actuarial value.
The recognition of defined benefit plans requires the use of actuarial techniques to estimate the number of benefits accrued by employees in exchange for their service in the current and prior periods and to discount those benefits in order to determine the present value of the entity's obligations. The present value of the obligations is determined by an independent actuary using the “Projected Unit Credit Method”. This method considers each period of service provided by employees to the company as an additional unit of entitlement: the actuarial liability must therefore be quantified only on the basis of the seniority accrued at the valuation date; therefore, the total liability is normally re-proportioned on the basis of the ratio between the years of service accrued at the valuation date and the total seniority reached at the time the benefit is expected to be paid. In addition, this method considers future salary increases, for whatever reason (inflation, career, contract renewals, etc.), up to the time of termination of employment.
The defined benefit plan expense accrued during the year and recognized in the income statement as part of employees expenses is equal to the sum of the average present value of the rights accrued by employees for service during the year and the annual interest accrued on

the present value of the entity's obligations at the beginning of the year, calculated using the discount rate of future outflows used to estimate the liability at the end of the previous year. The annual discount rate used for the calculations is assumed to be the period-end market rate for zero-coupon bonds with maturities equal to the average remaining duration of the liability.
Actuarial Gains and losses arising from changes in estimates are recognized in the income statement.

Provisions for future risks and charges

These are appropriations arising from present debentures (legal or constructive) and related to a past event, for the fulfillment of which it is probable that an outflow of resources will be required, the amount of which can be reliably estimated. If the expected use of resources extends beyond the next fiscal year, the debenture is recognized at the present value determined by discounting the expected future cash flows at a rate that also takes into account the cost of money and the risk of the liability.
Reserves are reviewed at each balance sheet date and adjusted, if necessary, to reflect the best current estimate; any variances in estimates are reflected in the income statement for the period in which the variance occurred.
Risks for which the occurrence of liability is only possible are disclosed in the explanatory notes without making any provision.

Product sales

Revenues from sales of goods are recognized when the performance obligations to customers are satisfied. Performance obligations are satisfied when control of the asset is transferred to the customer.
Retrospective discounts are applied to product sales based on the achievement of objectives, where defined in commercial agreements. Revenues from sales are recognized net of these discounts, which are estimated on the basis of historical experience using the expected value method and for amounts that are not expected to be reversed.
Sales do not include a financial component, as the average payment terms applied to customers are within the standard commercial terms for the country in question.

Provision of services

Rendering of services are recognized when the service is completed.

Proceeds and financial income

Proceeds and financial income are recognized on an accrual basis.

Public contributions

Public grants are recognized when there is reasonable certainty that they can be received (this moment coincides with the formal decision of the public grantors) and all the conditions for obtaining them have been met.

They are accounted for differently depending on the nature of the grant, in particular:

- If the grants are intended to cover costs (e.g., refunds or plant grants) they are accounted for in the same way as the related costs, i.e., in the income statement, and over the time horizon over which the costs accrue (e.g., over the time horizon of depreciation of the asset for which the plant grant was received)
- If the grants are financial and represent an incentive provided by a governmental entity without the related costs being incurred, the grant is recognized in equity.

Taxes

Taxes for the year represent the sum of current and deferred taxes.

Current taxes are based on the taxable profit for the year. Taxable profit differs from the profit reported in the income statement because it excludes positive and negative items that will be taxable or deductible in other years and also excludes items that will never be taxable or deductible. The current tax liability is calculated using the tax rates that have been enacted or substantively enacted at the balance sheet date, or if known, those that will be in effect when the asset is realized or the liability is settled.

Deferred taxes assets and liabilities are the taxes that are expected to be paid or recovered on temporary differences between the book value of the assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable basis of assessment, accounted for using the global appropriation method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in business combinations) of other assets or liabilities in transactions that affect neither accounting profit nor taxable profit. The tax benefit arising from the balance forward of tax losses is recognized when and to the extent that future taxable profit will probably be available against which the losses can be utilized.

The book value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the assets to be recovered.

Deferred taxes are calculated at the tax rate that is expected to apply when the asset is realized or the liability settled.

Deferred taxes are recognized directly in the income statement, except for those relating to items recognized directly net assets, in which case the related deferred taxes are also recognized in net assets.

The* estimate *of fair value

The *fair value* of financial instruments quoted in an active market, if any, is determined based on market prices at the balance sheet date. The reference market price for financial assets held is the current sale price (purchase price for financial liabilities).

The *fair value* of financial instruments that are not traded in an active market is determined through various valuation techniques and assumptions based on market conditions at the balance sheet date. For medium and long-term liabilities, prices of similar listed financial instruments are compared, for other categories of financial instruments, cash flows are discounted.

The *fair value* of IRSs is determined by discounting the estimated cash flows arising from them at the balance sheet date. For loans, it is assumed that the nominal value, net of any adjustments made to take account of their collectability, approximates the *fair value*. The *fair value* of financial liabilities for disclosure purposes is determined by discounting the contractual cash flows at an interest rate that approximates the market rate at which the entity borrows.

3 Fair value measurement

In relation to financial instruments measured at *fair value*, the classification of these instruments based on the hierarchy of levels required by IFRS 13, which reflects the significance of the inputs used in determining *fair value,* is presented below. The following levels are distinguished:

Level 1 - unadjusted listing prices recognized in an active market for assets or liabilities being measured;

Level 2 - inputs other than quoted prices referred to in the previous point, which are observable in the market, either directly (as in the case of prices) or indirectly (i.e., as derived from prices);

Level 3 - inputs that are not based on observable market data.

As of 31 December 2020 and 2019, no assets or liabilities held by the company are measured at fair value.

4 Risks to which the Company is exposed

The Company is mainly exposed to financial risks, market risk, credit risk, and liquidity risk.

4.1 Financial Risks

Risks deriving from variances rate fluctuations

Foreign exchange risk is the risk that the value of a financial asset or liability changes due to changes in exchange rates.

With regard to this risk, the strategy adopted is to minimize the impact on the income statement of changes in exchange rates and envisages hedging the risk deriving from financial positions denominated in currencies other than the reporting currency, if necessary.

On the basis of the above, the fluctuations in exchange rates that occurred during the year did not have any significant impact on the financial statements.

Risks arising from interest rate variances

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 to 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 variances in interest rates.

Details of financial assets and liabilities by category are shown below:

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES					
Values in Euro					
	IFRS 9 CATEGORIES				
Financial assets as of 31 December 2020	Financial instruments at fair value with income statement counterpart	Financial instruments at fair value with equity counterpart	Receivables and loans	Cash and cash equivalents	Balance sheet value
Financial assets:					
Financial receivables (portion over 12 months)	-	-	41,608	-	**41,608**
Credits:					
Trade receivables from clients	-	-	3,251,579	-	**3,251,579**
Other current receivables/assets:					
Other receivables and assets	-	-	230,010	-	**230,010**
Cash and cash equivalents					
Bank and postal deposits		-	-	7,360,978	**7,360,978**
TOTAL FINANCIAL ASSETS	**-**	**-**	**3,523,197**	**7,360,978**	**10,884,175**

	IFRS 9 CATEGORIES			
Financial liabilities as of 31 December 2020	Liabilities at amortised cost	Financial instruments at fair value with income statement counterpart	Financial instruments at fair value with equity counterpart	Balance sheet value
Non-current financial payables and liabilities:				
Payables due to banks	6,049,099	-	-	**6,049,099**
Other financial liabilities	277,849	-	-	**277,849**
Current liabilities:				
Payables to banks and other lenders	1,889,509	-	-	**1,889,509**
Accounts payables	1,798,730	-	-	**1,798,730**
Non-current tax payables	997,188	-	-	**997,188**
Other financial liabilities	1,482,733	-	-	**1,482,733**
Other financial liabilities	-	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**12,495,107**	**-**	**-**	**12,495,107**

4.2 Market risk

Currency risk

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

Interest rate risk

The company has an insignificant exposure to the risk of interest rate fluctuations on its financial assets, short-term bank debts and loans, and long-term leasing contracts.
The company's strategy is aimed at minimizing the risk through a balanced distribution between fixed and variable rate loans, also with ad hoc hedging instruments, if necessary.
On the basis of the above, the fluctuations in interest rates during the year did not have a significant impact on the financial statements.

Price risk

Price risk is represented by the possibility that the value of a financial asset or liability changes due to changes in market prices (other than those related to currencies and rates).
This risk is typical of financial assets that are not quoted in an active market and cannot always be realized in the short term at a value close to their fair value.
Given the size of the existing investments, this risk is not significant and therefore is not hedged.

4.3 Credit risk

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

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

As far as commercial transactions are concerned, the company operates with medium-and-large-sized counterparties in relation to which creditworthiness checks are carried out in advance.

The company implements a procedure to valuation and control its customer portfolio, including 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 special coverage and/or insurance.

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

4.4 Liquidity risk

Liquidity risk can manifest itself with 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 investment activities (opening of new premises);

– The maturity characteristics of the financial debt.

The Company finances its activities both through the cash flows generated by operations and through the use of external financing sources of financing and is therefore exposed to liquidity risk, represented by the fact that financial resources are not sufficient to meet financial and commercial debentures in 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 form of hot financing, overdrafts, and endorsement credit.

The Company has a composition of the long-term indebtedness structure exposed to interest rate risk with reference as reported in Note 16 below.

It should be noted that, on 31 December 2020, the liquidity risk is mitigated by the residual cash flow generated at the time of listing in 2019 and received in 2020 as a result of the new subsidized loans.

With regard to the exposure related to trade payables, there is no significant concentration of suppliers.

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

5.1 Endorsed accounting standards and interpretations effective from 1 January 2020

Pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the IFRSs from 1 January 2020 are indicated below:

Amendments to IFRS 3 "Business combinations". These amendments introduced a new definition of business, as the current one is too complex with the result that too many transactions qualify as business combinations.
There is no impact on the individual financial statements due to the application of these changes.

Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These amendments, in addition to clarifying the concept of materiality, focus on establishing a consistent and single concept of materiality across accounting standards and incorporate the guidance included in IAS 1 on intangible information.
There is no impact on the Individual Financial Statements due to the application of these amendments.

Amendments to IFRS 9, IAS 39, and IFRS 7: Interest Rate Reform (IBOR reform)
These amendments concern the impact on the financial statements deriving from the replacement of the current benchmark interest rates with alternative interest rates: in the presence of hedging relationships impacted by the uncertainty of the reform of the benchmark interest rates, these amendments make it possible not to make the assessments required by IFRS 9 in the presence of changes in the rate.
There is no impact on the Individual Financial Statements due to the application of these changes.

Amendments to IFRS 16 Leases – Covid-19 Related Rent Reductions
These amendments introduce an optional accounting treatment for lessees for permanent rent holidays or temporary rent reductions related to Covid-19.
Lessees may choose to account for rent reductions occurring until 30 June 2021 as variable lease payments recognized directly in profit or loss in the period in which the reduction applies, or treat them as an amendment to the lease agreement with the resulting debentures to remeasure the lease liability based on the revised consideration using a revised discount rate.
There is no impact on the Individual Financial Statements due to the application of these amendments.

5.2 International Accounting Standards and/or interpretations issued but not yet effective and/or endorsed

New Standards or interpretations that have been issued, but not yet effective or endorsed by the European Union on 31 December 2020 and therefore not applicable are indicated below. They are not expected to have a material impact on the Company's financial statements as the date of application.

Amendments to IAS 1 - Presentation of Financial Statements - Classification of Liabilities as Current or Non-current. The amendments clarify the principles to be applied for the classification of liabilities as current or non-current. These amendments, which will become effective on 1 January 2022, have not yet been endorsed by the European Union.

Amendments to IAS 16 – Land and building, Machinery and Installation - Considerations Received Before Intended Use. These amendments prohibit deducting from the cost of land and building, machinery, and installation amounts received from the sale of products while the asset is being prepared for its intended use. The proceeds from the sale of the products, and the related production cost, shall be recognized in profit or loss.
These amendments, which will become effective on 1 January 2022, have not been endorsed yet by the European Union.

Amendments to IAS 37 - Provisions, Contingent liabilities, and Contingent Assets - Onerous Contracts - Costs for Performing a Contract. These amendments specify the costs to be taken into account when measuring onerous contracts.
These amendments, which will come into force on 1 January 2022, have not been endorsed yet by the European Union.

Annual Improvements (2018 - 2020 cycle) issued in May 2020. These are limited amendments to certain standards (IFRS 1 First-time Adoption of IFRSs, IFRS 9 Financial Instruments, IAS 41 Agriculture and Illustrative Examples of IFRS 16 Leases) that clarify their wording or correct omissions or conflicts between the requirements of the IFRSs. These amendments, which will become effective on 1 January 2022, have not been endorsed yet by the European Union.

6 Tangible fixed assets

Changes in tangible fixed assets over the last two years are shown below:

Data in thousands of Euro	Plants and machinery	Furniture and equipment	Vehicles	Improvements on leased assets	Other property, plant and equipment	Total
Cost as of 1.1.2020	**535**	**1,458**	**181**	**90**	**562**	**2,826**
Variations during the period:						
- Increases	1	33	40	0	37	**111**
- Disposals			(23)		(24)	(47)
Total variations	**1**	**33**	**17**	**-**	**13**	**64**
Total cost as of 31.12.2020	**536**	**1,491**	**198**	**90**	**575**	**2,890**
Amortization provisions as of 1.1.2020	**(311)**	**(1,232)**	**(88)**	**(45)**	**(463)**	**(2,139)**
Variations during the period:						
- amortizations	(44)	(116)	(39)	(15)	(51)	**(264)**
			18		19	37
Total variations	**(44)**	**(116)**	**(21)**	**(15)**	**(32)**	**(227)**
Total amortization provisions as of 31.12.2020	**(355)**	**(1,348)**	**(109)**	**(60)**	**(495)**	**(2,366)**
Value as of 31.12.2020	**181**	**143**	**89**	**30**	**80**	**524**

Tangible fixed assets included amounts accounted for in accordance with IFRS 16 - Leases for a net book value of Euro 121 thousand as of 31 December 2020.

7 Intangible fixed assets

Changes in intangible fixed assets over the last two years are shown below:

Data in thousands of euro	Development Costs	Patents Trademarks and other rights	Software	Other intangible assets	Goodwill	Total
Values as of 31.12.2018	**4,105**	**23**	**40**	**1,217**	**1,100**	**6,485**
Variations during the fiscal year:						
- Acquisitions of the fiscal year	745	-	108	-	-	**853**
- Amortizations	(2,006)	(10)	(50)	(1)	-	**(2,067)**
Values as of 31.12.2019	**2,844**	**13**	**98**	**1,216**	**1,100**	**5,271**
Variations during the period:						
- Acquisitions of the fiscal year	1,473	3	12.00	-	-	**1,488**
- Amortizations	(1,203)	(9)	(53)	-	-	**(1,265)**
Values as of 31.12.2020	**3,114**	**7**	**57**	**1,216**	**1,100**	**5,494**

Other intangible assets and goodwill arose respectively during 2017, following the contribution of Matica Technologies AG - Italian Branch to Matica Fintec Ltd (formerly Matica Electronics Ltd). These items refer respectively to the merger deficit recognized following the merger by incorporation of Matica Americas LLC into Matica Technologies AG - Italian Branch and to the goodwill recognized following the purchase by Matica Technologies AG - Italian Branch (formerly Matica System) of the business branch of Digicard Engineering Gmbh (Austria).
According to IFRS, these items are not systematically amortized in the income statement but are subject to an impairment test at least once a year.

The goodwill reported is allocated to a single CGU attributable to the legal entity. As of 31 December 2020, goodwill and intangible assets with indefinite useful lives were tested for impairment, which consists of estimating the recoverable amount of the CGU and comparing it with the net carrying amount of the related assets, including goodwill. The value in use corresponds to the present value of future cash flows expected to be associated with the CGU, using a rate that reflects the specific risks of each CGU at the measurement date. The key assumptions used by management are estimates of future increases in sales, operating cash flows, the growth rate of terminal values , and the weighted average cost of capital (discount rate). The expected cash flows are those forecast in the 2021-25 plan approved by the board of directors. The discount rate, defined as the average cost of capital after-tax, applied to the project cash flows, is 10.3%. As of 31 December 2020, no impairment loss emerged on all CGUs, between the book value and the relative value in use (determined using the Discounted Cash Flow method). In addition, a sensitivity analysis of the result was carried out for the CGUs in question, considering a change in discount rates of 300 basis points based on which the value in use remains significantly higher than the book values.

8 Other non-current assets

These consist almost entirely of security deposits.

9 Deferred tax assets

Deferred tax assets as at 31 December 2020 are recognized in relation to the following temporary differences:

Data in thousands of euro

Description	Taxable	Tax rate	Balance
Reportable tax losses	1,073	24.00%	258
Unrealized foreign exchange losses	10	24.00%	2
Depreciation of receivables deductible in future fiscal years	79	24.00%	19
Employee severance indemnity	117	24.00%	28
Total			**307**

Deferred tax assets as of 31 December 2019 were recognized in relation to the following temporary differences:

Data in thousands of euro

Description	Taxable	Tax rate	Balance
Reportable tax losses	1,454	24.00%	349
Unrealized foreign exchange losses	11	24.00%	3
Depreciation of receivables deductible in future fiscal years	23	24.00%	6
Employee severance indemnity	59	24.00%	14
Total			**371**

Deferred tax assets are recognized on the assumption of their recoverability based on the probability of future basis of assessment.

The decrease compared to the previous year is due to the reduction in tax loss carry-forwards following partial utilization to reduce IRES basis of assessment in 2020.

10 Inventories

Goods are recognized in inventories when the risks and rewards associated with the acquired goods are transferred. Specifically, the item includes raw materials, goods, and work in progress, as detailed below:

Data in thousands of euro

	31-12-20	31-12-19
Raw materials, supplies and consumables	2,625	2,712
Goods	595	29
Goods in progress	293	269
Total	**3,513**	**3,010**

11 Tax credits

Tax credits consist of regional tax on productive activities credits (IRAP) related to residuals on 2019 advances not used following the “Cura Italia” Decree, which canceled the payment of the 2019 balance and the first 2020 advance.

As at 31 December 2019 they included for Euro 462 thousand the tax credit for the listing of Small-Medium-sized Enterprises, pursuant to article 1, paragraph 89 of the Law no. 205 of 27 December 2017, equal to 50% of the consultancy costs incurred for the listing on one of the regulated markets (in the specific case the AIM Italia market), in addition to regional tax on productive activities credits (IRAP) for Euro 82 thousand and corporate tax credits (IRES) for Euro 40 thousand.

12 Trade and miscellaneous credits

The composition of trade and miscellaneous credits as at 31 December 2020 and 31 December 2019 is as follows:

Data in thousands of euro

	31-12-20	31-12-19
To third parties	3,145	2,455
To parent companies	81	17
To subsidiaries	171	187
Provision for bad debts	(145)	(73)
Total	**3,252**	**2,586**

The provision for doubtful accounts changed as follows during the year:

Data in thousands of euro

Value as of 31 December 2019	73
Provisions	77
Uses	(5)
Value as of 31 December 2020	145

13 Cash and cash equivalents

The composition of cash and cash equivalents as at 31 December 2020 and 31 December 2019 is as follows:

Data in thousands of euro

	31-12-20	31-12-19
Cash and cash equivalents	-	2
Bank deposits	7,361	5,551
Total	**7,361**	**5,553**

The change in cash and cash equivalents is mainly due to new bank loans obtained during the year.
Cash and cash equivalents are held with primary bank counterparties at interest rates in line with prevailing market conditions.

14 Others activities

These mainly consisted of prepaid expenses calculated in relation to consulting (Euro 116 thousand), insurance (Euro 21 thousand), utilities (Euro 29 thousand), ISO certifications (Euro 4.5 thousand), and trade fair costs deferred due to Covid-19 (Euro 31.5 thousand).

15 Equity

Equity is made up as follows:

Data in thousands of euro

	31-12-20	31-12-19
Share capital	5,254	5,254
Legal reserve	19	4
Share premium reserve	3,320	3,320
Public contributions	177	-
Contribution reserve	16	25
Reserve for IAS 19	(179)	(134)
Profits (losses) carried forward	(1,005)	(1,298)
Profit/ (Loss) of fiscal year	50	308
Total shareholders' equity	**7,654**	**7,479**

The share capital consists of 10,508,200 ordinary shares with no nominal value. Following the listing operation which took place during the previous year, 3,508,200 new ordinary shares were issued with a value of € 0.50, charged to share capital, plus a share premium of € 1.21 per share.
The share premium reserve is determined by the premium paid at the time of listing, net of accessory charges amounting to Euro 924 thousand, as required by IAS 32.

The capital contribution reserve was generated during the year following the receipt of a subsidized loan from SACE SIMEST aimed at capitalizing exporting companies, for a total of € 800 thousand, of which € 100 thousand was non-repayable and the remainder at a subsidized rate.

The IAS 19 reserve includes accumulated actuarial losses, accounted for with a balancing entry directly in equity in accordance with IAS 19, determined in relation to the severance pay. The negative reserve is determined net of deferred taxes.

The information required by Article 2427, paragraph 1, number 7-bis of the Italian Civil Code concerning the specification of equity items with reference to their origin, the possibility of utilization and distributability, as well as their utilization in previous years, can be inferred from the tables below:

Values in Euro

Description	Amount	Origin / Nature (*)	Possibility of use (**)	Available share	Summary of the uses made in the three previous fiscal years	
			Use (*)	Available share	to cover losses	for other reasons
Capital	5,254,100	C				
Riserva sovrapprezzo	3,320,495	C	A,B,C	3,320,495		924,427
Legal reserve	19,397	U	B	4,000		
Other reserves:						
- Contribution reserve	16,080	C	A,B,C	16,080		858,459
- Reserve for non-repayable payments	177,372	C	A,B	177,372		
- Reserve for adjustment to IAS 19	(178,794)					
Total other reserves	**14,658**			**3,533,344**		**1,782,886**
Profits/ losses carried over	(1,005,151)					
Profit/ (Loss) for fiscal year	50,433			50,433		
Total	**(940,060)**			**3,583,776**		
Non-distributable portion				3,567,697		
Remaining distributable portion				16,079		

(*) C - Capital reserve; U - Profit reserve

(**) A - for capital increase; B - to cover losses; C - for distribution to shareholders

16 Financial debts

Financial debts are composed as follows:

Data in thousands of euro	12 2020			12 2019		
	Non-current	Current	Total	Non-current	Current	Total
Payables to banks	5,915	1,890	7,805	809	2,666	3,475
Payables to parent companies	-	-	-	1,050	300	1,350
IFRS 16 leasing liabilities	134	-	134	114	-	114
Total	**6,049**	**1,890**	**7,939**	**1,973**	**2,966**	**4,939**

Details about outstanding loans are as follows:

Data in thousands of euro

Bank Name	Finance Amount	Length		Interest rate	Residual debt as of 31/12/2020		
		Start	Finish		Current	Non-current	Total
BNL - BNP Paribas (Banca Nazionale del Lavoro S.p.A.)	1,400	26-11-15	30-06-20	0.25% fixed annual nominal	140	-	140
Valsabbina	1,000	31-12-19	30-11-25	2.25% fixed annual nominal	176	793	969
Hedge Invest - Crescitalia	2,000	26-11-15	30-09-21	5.75% fixed annual nominal	536	-	536
BPM (Cash Credit - Finimport/export)	1,150			Variable rate	43	-	43
Banca Intesa (Cash credit - Finimport/export	1,250			Variable rate	995	-	995
Sace Simest	700	26-11-20	31-12-26	0.65% fixed annual nominal	-	622	622
Banca Intesa	4,500	15-09-20	15-09-26	Variable rate	-	4,500	4,500
Total bank loans	**6,800**				**1,890**	**5,915**	**7,805**

It should be noted that the SACE SIMEST loan, aimed at the capitalization of exporting companies, consisted of a maximum grant of Euro 800 thousand, of which Euro 100 thousand was non-refundable and the remainder at a subsidized rate of 0.65%; this loan was discounted at a market rate and the discounting component (Euro 78 thousand) accounted for in an equity reserve together with the non-refundable payment.

17 Provision for other employee benefits

Defined contribution plans

In the case of defined contribution plans, the Company pays contributions to public or private insurance institutions based on a legal or contractual obligation, or on a voluntary basis. By paying the contributions, the company fulfills all its obligations.

Debits for contributions to be paid at the balance sheet date are included in the item “Other current liabilities”; the cost for the period accrues based on the service rendered by the employee and is recognized in the item “Employees costs” in the relevant area.

Defined benefit plans

The plans in favor of employees, which can be configured as defined benefit plans, are represented by the severance indemnity (TFR); the liability is instead determined on an actuarial basis using the “projected unit credit” method. Actuarial Gains and losses determined in the calculation of these items, starting from this financial year, are recognized in a specific Equity reserve, while in the previous fiscal year they were recognized in the income statement.

Changes in the severance indemnity (TFR) liability for termination benefits as of 31 December 2020 are shown below:

Data in thousands of euro

Value as of 31 December 2019	399
Provisions	65
Interests Proceeds / (Charges)	1
Actuarial (proft) / losses	59
Uses	(40)
Value as of 31 December 2020	484

The "provision for employee benefits costs" and "contribution/benefits paid" components are recognized in the income statement under "Employees costs" in the relevant area. The "financial expenses / (proceeds)" component is recognized in the income statement under "Financial proceeds (expenses)", while the "actuarial gains / (losses)" component is recognized in an equity reserve called "Actuarial gains/losses reserve ".

The main actuarial assumptions used as of 31 December 2020 and 2019 are as follows:

Actuarial assumptions	**31-12-20**	**31-12-19**
Discount rate	1.15%	0.85%
Inflation rate	1.20%	1.50%
Expected rate of increase in salaries	2.50%	2.50%
Average annual percentage of personnel leaving	3.08%	3.57%

18 Deferred tax liabilities and tax provisions

They amounted to Euro 89 thousand as of 31 December 2020 (Euro 75 thousand as of 31 December 2019) and include deferred taxes for Euro 1 thousand and current tax provision for Euro 88 thousand.

Deferred taxes were determined exclusively regarding unrealized exchange gains, as shown in the table below:

Data in thousands of euro

Description	Taxable	Tax rate	Balance
Unrealized foreign exchange gains	3	24.00%	1
Total			**1**

The provision for the current tax was recorded in relation to penalties and interest on overdue tax debts for which the Company is waiting to receive the related payment notice.

19 Tax debits

Tax debts are composed as follows:

Data in thousands of euro	12 2020			12 2019		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**
IRES (corporation tax)	8	19	26	-	36	36
IRAP (regional income tax)	-	14	14	-	92	92
Withholdings	635	243	877	756	411	1,167
VAT	355	131	486	419	94	513
Other payables	-	-	-	-	75	75
Total	**997**	**407**	**1,403**	**1,175**	**708**	**1,883**

20 Other liabilities

Other liabilities are composed as follows

:

Data in thousands of euro	12 2020			12 2019		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**
Payables to Employees	-	336	336	-	400	400
Payables to social security instit	258	388	647	387	298	685
Payables to directors	-	35	35	-	14	14
Accrued liabilities	-	88	88	-	15	15
Other payables	19	229	249	27	168	195
Total	**278**	**1,076**	**1,353**	**414**	**895**	**1,309**

21 Trade and miscellaneous tax debits

The item consists of the following:

Data in thousands of euro

	31-12-20	31-12-19
To third parties	1,771	2,284
To parent companies	15	44
To subsidiaries	12	107
Total	**1,799**	**2,435**

22 Revenues from sales and Other Proceeds

The item Sales revenues consists of the following:

Data in thousands of euro

	2020	2019
Provision of services	407	540
Sale of machines	8,920	10,584
Sale of consumables	1,192	2,300
Sale of spare parts	1,490	1,010
Total	**12,010**	**14,434**

It should be noted that of total revenues, approximately € 993 thousand (about 8%) were realized from related parties (€ 1,890 thousand, or 13%, in 2019).

The breakdown of 2020 revenues by geographical area are as follows:

Data in thousands of euro

	2020
Europe	3,163
Asia	3,014
South America	1,936
USA	778
Africa	736
United Arab Emirates	1,607
Italy	710
Canada	67
Total	**12,010**

The item Other proceeds consisted of €359 thousand of extraordinary income, €28 thousand of proceeding related to the cancellation of the first regional tax on productive activities (IRAP) in accordance with the "Cura Italia" decree, and €10 thousand of operating grants.

23 Purchase costs

They include purchases of goods and finished products and are shown net of discounts and allowances. Details are shown in the table below:

Data in thousands of euro

	2020	2019
Purchases of finished products and goods	4,938	6,092
Processing on behalf of third parties	148	156
Other	483	46
Total	**5,568**	**6,294**

24 Other operating costs

They include costs for services, leases, and rentals, and other operating expenses, as detailed below:

Data in thousands of euro

	2020	2019
Costs for Services	2,498	2,621
Costs for use of assets owned by others	207	217
Other Operating Costs	541	384
Total	**3,246**	**3,222**

The costs for services are detailed in the table below:

Data in thousands of euro

	2020	2019
Consulting	1,191	892
Management fees	-	100
Directors' and statutory auditors' fees	703	737
Advertising and promotions	24	104
Travel expenses	17	138
Costs of transport and customs	188	214
Insurance	49	49
Representation expenses	6	43
IT Expenses	64	53
Vehicle expenses	43	48
Utilities	44	59
Maintenance	21	22
Certifications	16	14
Other administrative expenses	77	90
Other overheads	56	58
Total	**2,498**	**2,621**

Lease and rental costs, mainly relate to office land and buildings located in the municipality of Galliate, to which the company moved its operational headquarters in 2017; note in this regard that the lease agreement does not fall within the scope of IFRS 16 - Leases.
Other operating expenses mainly include extraordinary expenditure (Euro 434 thousand) and penalties (Euro 18 thousand).

25 Employees costs

This item consists of the following:

Data in thousands of euro

	2020	2019
Wages and Salaries	1,754	1,968
Social security charges	543	618
Employee severance indemnity	63	57
Pension and similar treatment	95	93
Other costs	224	330
Total	**2,679**	**3,066**

Labor costs refer to people who are also directors of the company for a total of Euro 289 thousand.
This amount is additional to that reported in Note 33 below.

The average number of employees by category is as follows:

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

26 Provisions for risks

The item related to 2020 and 2019 includes the provision for current taxes, recorded in relation to penalties and interest on overdue tax debts for which the Company is waiting to receive the relevant payment notice (see note 18 above).

27 Revaluations / Depreciations

The item for 2020 and 2019 includes the provision for bad debt.

28 Financial income and proceeds

Financial income and proceeds are made up as follows:

Data in thousands of euro

	2020	2019
Profit on foreign exchange	41	28
Interest income on current accounts	1	-
Total financial income	**42**	**28**
Interest on intercompany loans	(10)	(44)
Bank interest expense	(166)	(129)
Other financial charges	(105)	(90)
Foreign exchange losses	(88)	(85)
Total financial charges	**(369)**	**(349)**

29 Taxes

The 2020 and 2019 taxes are detailed as follows:

Data in thousands of euro

	2020	2019
IRES (corporation tax)	(6)	(36)
IRAP (regional income tax)	(69)	(92)
Total current taxes	**(75)**	**(128)**
Prepaid taxes	(79)	(269)
Deferred taxes	2	24
Total deferred taxes	**(77)**	**(245)**
Total taxes	**(152)**	**(373)**

See Note 9 and Note 18 for details on the origin of deferred tax assets and liabilities.

The reconciliation between the theoretical and effective tax rates is shown below.

Data in thousands of euro	**2020**	**2019**
Profit (loss) for the period before taxes	203	681
A Total taxable amount	**203**	**681**
B Theoretical taxes	57	190
Main causes giving rise to differences between the theoretical and the actual rate		
- ACE benefit	(23)	(2)
- Use of tax losses	(91)	(152)
- Net permanent differences	210	337
C Actual taxes	152	373
Theoretical tax rate (B/A)	27.90%	27.90%
Actual tax rate (C/A)	75.13%	54.80%

30 Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	31-12-20
Fiscal Year Net Income	50,433
Number of ordinary shares net of treasury shares	10,508,200
Basic earnings per share	**0.0048**
Weighted average number of ordinary shares for the determination of diluted earnings per share	10,911,580
Diluted earnings per share	**0.0046**

Earnings per share are determined as the ratio of net income to the weighted average number of shares outstanding during the period, net of treasury shares. Diluted earnings per share are calculated taking into account the number of outstanding shares and the potential dilutive effect of the exercise of warrants in the period 2020-2022.
The comparative figure is not presented as it refers to a period when the company was partially incorporated as a Limited Liability Company.

31 Transactions with related parties

Transactions with related parties during the year were concluded at normal market conditions. Details of the balances as of 31 December 2020 of these transactions, by counterparty are shown below:

Data in thousands of euro	Matica Technologies AG	Matica Technologies PTE	Matica Corp	Matica Technologies Beijing	Matica Technologies FZE	Balance as of 31.12.2020
Accounts receivables	76	-	163	3	6	**247**
Accounts Payables	(14)	-	(2)	-	2	**(14)**
Advances	-	-	(3)	-	-	**(3)**
Invoices to be received	(1)	-	-	(12)	-	**(13)**
Total balance sheet items	**65**	**-**	**158**	**(9)**	**7**	**222**
Sales	103	-	661	46	175	**985**
Purchase costs	(3)	(61)	(34)	(17)	(332)	**(446)**
Interest on loans	(10)	-	-	-	-	**(10)**
Total economic items	**88**	**(65)**	**584**	**(7)**	**(157)**	**443**

32 Atypical and unusual transactions

During the period, the company did not carry out any atypical or unusual transactions, as defined in the Communication itself, according to which atypical and/or unusual transactions are those transactions that due to their significance/relevance, the nature of the counterparties, the subject of the transaction, the way in which the transfer price is determined and the timing of the event may give rise to doubts concerning: the correctness/completeness of the information in the financial statements, conflict of interests, the safeguarding of the company's assets, the protection of minority shareholders.

33 Remuneration of corporate bodies

The following emoluments were paid in 2020:

- Board of auditors: 376 thousand Euro (in addition to TFM paid for Euro 250 thousand)
- Board of Statutory Auditors: Euro 28 thousand
- Auditing business: Euro 23 thousand for the audit of the annual accounts, Euro 6 thousand for other audit services (auditing of the condensed half-yearly financial statements)

34 Public contributions

It should be noted that during the 2020 fiscal year the Company benefited from the following public grants:

- 2019 regional tax on productive activities (IRAP) balance remitted pursuant to the "Cura Italia" decree: Euro 9 thousand
- Reversal of the balance of the first regional tax on productive activities (IRAP) advance in 2020 pursuant to the "Cura Italia" decree: Euro 27 thousand
- Sanitation tax credit: Euro 6 thousand
- Non-repayable contribution for SACE Simest loan: Euro 100 thousand

35 Proposed allocation of the result for the year

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

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

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