



***FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021***

*Registered office in Milan (MI) – Via Giuseppe Parini no. 9  
Share Capital Euro 5,254,100  
Fiscal code, VAT number and  
Milan Monza Brianza Lodi Business Register number 10354300013  
R.E.A. number MI-2540487*

**MATICA FINTEC S.p.A.**

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**MANAGEMENT REPORT**

**FOR THE FISCAL YEAR ENDING 31 DECEMBER 2021**

Dear Shareholders,

these financial statements for the fiscal year that ended on 31 December 2021 are prepared in accordance with IAS/IFRS principles.

**Operating conditions and business development**

Our Company develops, manufactures, and markets systems for issuing security documents (driving licenses, passports, identity cards, and financial cards) and, thanks to significant investments in innovative products made in recent fiscal years, has become in a few years a player in international stature. Our company is an innovative medium-sized company located in Italy that exports 97% of its turnover to over 100 countries worldwide.

The market for security documents is growing steadily as it is clear that most countries in the world need to have an identification document with increasingly high-security standards to deal with any attempts at counterfeiting 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 document is the durability of the card. The life expectancy of ID documents is much longer than other smart cards, and their replacement can represent 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 to keep up with the most advanced technologies that raise the level of safety and guarantee the fundamental requirements of durability and reliability.

On the other hand, the financial market registers a more modest growth worldwide, except in some areas where the trend of issuing a financial card directly at the bank counter has opened a new and sophisticated market. This trend was the driver that led us to decide to develop new financial systems of instant issuance, more compact solutions that allow the customization of the payment card on-demand directly at the bank branch, through automatic tellers' machines called kiosks, thus reducing time and providing the client with an immediate and high-level service. The contactless card issuing market is also growing significantly as it allows the user to make a touchless payment, thus avoiding any contact.

Another financial market niche that is experiencing strong growth is that of special applications, where we position ourselves among the market leaders globally with our centrally emitted laser solutions.

We also anticipate that the world of bank cards, rather than undergoing a sharp decline, will require increasingly technologically sophisticated systems that will store data relating to the transaction itself, biometric data, and financial data. During the year, we have developed and launched on the market a new innovative technology called Drop on Demand, which allows us to considerably reduce emission times and achieve high-quality standards. We immediately noted that the market reacted positively to this strategic choice.

According to Article 2428 of the Italian Civil Code, it should be noted that the activity is carried out at the headquarters in Galliate (NO), Vicolo Omar, 33, where the administrative offices and the production plant reside. The Company does not carry out activities in secondary offices.

### **Management and Balance Sheet Trend**

From the management point of view, the Company closed the 2021 fiscal year with revenues up compared to those achieved in the previous fiscal year, amounting to €14,505 (€12,010 in 2020).

In the fiscal year 2021, the Company recorded a gross operating margin (EBITDA) of Euro/000 3,274 (about 23% of 2021 turnover) against Euro/000 2,164 in 2020 (about 18% of 2020 turnover).

The operating result (EBIT) 2021 is equal to Euro/000 2,006 against a value of Euro/000 541 in 2020.

The 2021 fiscal year closed with a profit of Euro/000 1,227 compared to a profit of Euro/000 50 in the previous fiscal year.

Below is the reclassification for management purposes of the income statement as of 31/12/2021 and 31/12/2020:

**Reclassified management income statement as of 31 December 2021 and 31 December 2020**

<b>Income statement</b>	<b>31/12/2021</b>	<b>31/12/2020</b>
(Data in Euro Thousands)		
Revenues and Proceeds	14,505	12,010
Other Revenues and Proceeds	-	-
Variation in WIP and FP inventories	-	-
Capitalized (development costs)	670	731
Other devaluations and uses	-	-
<b>Revenues</b>	<b>15,175</b>	<b>12,741</b>
Cogs (Incl. Variation in inventories)	(6,372)	(5,233)
<b>Gross margin</b>	<b>8,803</b>	<b>7,508</b>
Services	(2,150)	(1,963)
Employees	(3,077)	(3,064)
Rents and structural expenses	(251)	(246)
Other Operating Expenses	(51)	(72)
<b>Ebitda</b>	<b>3,274</b>	<b>2,164</b>
Amortizations and provisions	(1,267)	(1,622)
<b>Ebit</b>	<b>2,006</b>	<b>541</b>
Financial proceeds /(charges)	(326)	(293)
Extraordinary Proceeds / (Charges)	105	(45)
<b>Ebt</b>	<b>1,785</b>	<b>203</b>
Taxes	(558)	(152)
<b>Fiscal Year profit/loss</b>	<b>1,227</b>	<b>50</b>
R&D activity margin towards Matica Group	-	
<b>Balance sheet result</b>	<b>1,227</b>	<b>50</b>

The management representation has the purpose of highlighting the Company's specialties more distinctly.

The main reclassifications relating to 31 December 2021 are attributable to:

- 1) the allocation of revenues from transport costs is equal to Euro/000 303 in costs for services, while in the IAS/IFRS representation they are reclassified in revenues and proceeds.
- 2) the allocation of the change in inventories in COGS (Cost of goods sold), while in the IAS/IFRS representation a part equal to Euro/000 (405) is reclassified in changes in inventories;
- 3) the allocation of extraordinary income and proceed, from tax credits for investments in Research and Development, amounting to a total of Euro/000 156, in extraordinary proceeds, while in the IAS/IFRS representation they are reclassified in revenues and proceeds;

4) the allocation of extraordinary expenditure, amounting to a total of Euro/000 74, in extraordinary charges, while in the IAS/IFRS representation they are reclassified to other operating expenses.

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

1) the allocation of revenues from transport costs is equal to Euro/000 85 in costs for services, while in the IAS/IFRS representation they are reclassified in revenues and proceeds.

2) the allocation of the change in inventories in COGS (Cost of goods sold), while in the IAS/IFRS representation a part equal to Euro/000 503 is reclassified in changes in inventories;

3) the allocation of extraordinary income and proceed, amounting to a total of Euro/000 387, in extraordinary proceeds, while in the IAS/IFRS representation they are reclassified in revenues and proceeds;

4) the allocation of extraordinary expenditure, amounting to a total of Euro/000 434, in extraordinary charges, while in the IAS/IFRS representation they are reclassified to other operating expenses.

5) the allocation of commercial consultancy, amounting to a total of Euro 525 thousand, in personnel costs, while in the IAS/IFRS representation they are reclassified in costs for services.

From a balance sheet point of view, fixed assets decreased from Euro/000 6,018 in 2020 to Euro/000 5,805 in 2021.

Current assets amounted to Euro/000 2,873 in 2021 compared to a value of Euro/000 4,327 in the previous fiscal year.

Finally, Net Assets on 31 December 2021 amounted to Euro/000 8,621 against Euro/000 7,654 in the previous fiscal period; the increase is mainly due to the purchase of treasury shares following the start of the Buy-Back operation approved by the Shareholders' Meeting on 14 April 2021 Euro/000 (300), the distribution of the 2020 fiscal year result for Euro/000 50, the increase in Share Capital for Euro/000 4 following the fiscal year of 76,300 warrants of the "Warrant Matica 2019 – 2022" and the increase in the share premium reserve for Euro/000 12 following the aforementioned warrants fiscal year operation.

The Adjusted Net Financial Position is cash positive for Euro/000 520 (liabilities for Euro/000 2,118 in 2020) and shows adjustments compared to the previous fiscal year of Euro/000 2,639.

<i>Values in €/000</i>	<b>31/12/2021</b>	<b>31/12/2020</b>
A. Cash		
B. Other cash and cash equivalents	13,166	7,361
C. Securities held for trading	300	-
<b>D. Liquidity (A) + (B) + (C)</b>	<b>13,466</b>	<b>7,361</b>
E. Current financial receivables	-	-
E.2 Derivative financial instruments	-	-
F. Current bank payables	700	1,714
G. Current portion of non-current debt	342	176
H. Other current financial payables	-	-
<b>I. Current financial debt (F) + (G) + (H)</b>	<b>1,042</b>	<b>1,890</b>
<b>J. Net current financial debt (I) - (E) - (D)</b>	<b>(12,424)</b>	<b>(5,471)</b>
K. Non-current financial assets	-	-
L. Non-current financial receivables	-	-
M. Non-current bank payables	6,766	5,915
No. of Bonds issued	3,844	-
O. Other non-current payables	-	-
<b>P. Non-current financial debt (M) + (N) + (O)</b>	<b>10,611</b>	<b>5,915</b>
<b>Q. Net non-current financial debt (P) - (K) - (L)</b>	<b>10,611</b>	<b>5,915</b>
<b>Net financial position (J) + (Q)</b>	<b>(1,813)</b>	<b>444</b>
R. Overdue tax payables	1,034	1,190
S. Overdue social security debts	258	485
<b>PAST DUE SOCIAL SECURITY TAX PAYABLE:</b>	<b>1,293</b>	<b>1,674</b>
<b>Net financial position Adj (J) + (Q) + (R) + (S)</b>	<b>(520)</b>	<b>2,118</b>

The following are the main economic and balance sheet indicators:

<b>FIXED ASSET FINANCING INDICATORS</b>		<b>31/12/2021</b>	<b>31/12/2020</b>
Primary Margin of Structure	<i>Equity - Fixed assets</i>	2,776	1,595
Primary Structure Quotient	<i>Equity / Fixed assets</i>	1.47	1.26
Outline Secondary Margin	<i>(Equity + Consolidated liabilities) - Fixed assets</i>	3,280	2,356
Secondary Structure Quotient	<i>(Equity + Consolidated liabilities)/ Fixed assets</i>	1.56	1.39

<b>INDEXES ON THE STRUCTURE OF FINANCING</b>		<b>31/12/2021</b>	<b>31/12/2020</b>
Total Debt Ratio	<i>(Pml + Pc) /Equity</i>	0.36	0.75
Financial debt ratio	<i>Financing Liabilities/Equity</i>	0.87	1.00

<b>PROFITABILITY RATIOS</b>		<b>31/12/2021</b>	<b>31/12/2020</b>
Net ROE	<i>Net profit/loss /Average equity</i>	14%	1%
Gross ROE	<i>Gross profit/loss /Average equity</i>	21%	3%
ROI	<i>Operating profit/loss /(average CIO - Average operating liabilities)</i>	29%	7%
EBITDA on Revenues	<i>Gross Operating Margin /Revenues</i>	23%	16%
ROS	<i>Operating profit/loss / Revenues from sales</i>	14%	4%

<b>SOLVENCY INDICATORS</b>		<b>31/12/2021</b>	<b>31/12/2020</b>
Margin of availability	<i>Current assets - Current liabilities</i>	1,859	2,934
Availability quotient	<i>Current Assets / Current Liabilities</i>	1.46	1.67
Treasury Margin	<i>(Deferred liquidity + Immediate liquidity) - Current liabilities</i>	9,445	2,993
Quick ratio	<i>(Deferred liquidity + Immediate liquidity) /Current liabilities</i>	3.35	1.69

### Research and development activities

During the fiscal year, the Company carried out research and development activities continuing several projects, the most important of which allowed to launch of a system on the market with innovative technology, called Drop-on-Demand (DoD), new for Matica that allows issuing large quantities of documents at high speeds and with quality standards among the highest on the market. Other projects, at the date of the closure of the

financial statements, are still in the process of being completed.

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

#### Relationships with subsidiaries, associates, parent companies, and related parties

The Company has had the following relationships with the parent company:

Description	Financial debts	Accounts receivables	Accounts Payables	Invoices to be received	Advances	Costs	Revenues
Matica Technologies AG	0	12,734	(10,187)	(2,494)	0	(72,568)	8,421
<b>Total</b>	<b>0</b>	<b>12,734</b>	<b>(10,187)</b>	<b>(2,494)</b>	<b>0</b>	<b>(72,568)</b>	<b>8,421</b>

The Company has had the following relationships with related parties:

Description	Financial debts	Accounts receivables	Accounts Payables	Invoices to be received	Advances	Costs	Revenues
Matica Corp	0	15,247	0	(5,083)	0	(332,900)	1,135,683
Matica Technologies FZE	0	2,676	0	0	0	0	211,775
Matica Technologies Beijing	0	0	0	0	0	0	32,403
Matica Technologies Group SA	0	152,107	0	0	0	0	293,575
Matica Technologies Group SA IB	(10,507)	6,600	(1,196)			(980)	5,000
<b>Total</b>	<b>(10,507)</b>	<b>176,630</b>	<b>(1,196)</b>	<b>(5,083)</b>	<b>0</b>	<b>(333,880)</b>	<b>1,678,436</b>

In defining a related party, the Company referred to Consob Regulation no. 17221 of 12/03/2010 and subsequent amendments and additions. These relationships, which do not include atypical and/or unusual operations, are regulated under normal market conditions.

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

As of 31.12.2021, the company owns a total of 190,800 treasury stocks, equal to 1.814% of the Share Capital.

#### Significant events that occurred after the end of the fiscal year

It should be noted that Matica Fintec has implemented and continues to maintain all the measures required by the Government and aimed, on the one hand, to protect personnel from the risk of COVID-19 infection and, on the other, to legitimately and safely continue production activities, also to guarantee the continuity of the supply chain.

Concerning the ongoing conflict between Russia and Ukraine, the Company notes the absence of direct links with the two countries concerned.

On 3 May 2021, the Board of Directors approved the start of the Company's treasury stocks purchase program, according to the authorization granted by the Ordinary Shareholders' Meeting on 14 April 2021. The purchase of treasury shares began in the fiscal year 2021 and continues after the end of the fiscal year within the time limit of 18 months from the resolution, up to a maximum exchange value of Euro 2 million and in any case up to a maximum number that, taking the Matica Fintec shares into accounts held in the portfolio from time to time by the Company and any subsidiaries it may control, is not greater than 20% of the Company's share capital. The Board of Directors of the Company has resolved to appoint Intermonte SIM S.p.A. as the intermediary in charge of the execution of the operation, which will make the purchases in full independence and compliance with the constraints deriving from the applicable regulations as well as within the limits of the resolutions adopted by the corporate bodies.

On 7 February 2022, Matica Fintec announced that it had closed an important supply contract with Tagnitecrest Limited UK for a value of over Euro/000 800. The order consists of two S7000Jet systems with DoD technology, recently launched by the Company, which will be installed at the Leyland, Lancashire (UK) headquarters for the issuance of payment cards. The delivery of both systems and related services is expected by the end of the first quarter of 2022.

Also, on 22 February 2022, Matica announced the closure of a further supply contract with Thomas Greg and Sons de Mexico, for a value of approximately Euro/000 750. The order consists of two S7000Jet systems with DoD technology that will be installed at their headquarters in Mexico City. The delivery of the systems and related services is expected in the second quarter of 2022.

**These are the first deliveries of the new system recently launched with innovative printing technology and testify to the fact that it is enjoying great success on the market.**

Implementation of the Legislative Decree 231 model continues, adopted on 14 October 2020, through the publication of the Code of Ethics and the Disciplinary System and the organization of a personnel training plan with the participation of all employees and the active involvement of the person in charge of the company's apical functions by the Supervisory Body.

## **Predictable development of management**

During 2022, management will develop based on the strategic lines announced in the IPO, aimed at consolidating the increase in volumes and market dues through the optimization of business processes, new products developed internally and external growth strategies.

At this time, taking the uncertainty into account caused by the health and political situation, it is not possible to explain to what extent there might be economic and financial effects on the Company's 2022 financial statements.

However, the data in our possession testify to a positive trend, confirming that the Company knows how to react well to unpredictable emergencies.

## **Use of financial instruments**

On 20 October 2021, a bond underwriting contract has been entered into between Growth Market Basket Bond Srl, Banca del Mezzogiorno – Mediocredito Centrale (Subscribers), Banca Finnat Euramerica S.p.A. (Subscriber and Arranger) and Matica Fintec S.p.A. (Issuer) for a total amount of Euro/ 4,000 and is represented by 40 bonds with a nominal unit value of Euro/000 100 each, issued according to art. 2410 et seq. of the Italian Civil Code. The bonds are bearer securities issued in dematerialized form and centralized at Monte Titoli S.p.A. The bonds will be redeemed at par by October 2028.

## **Exposure of the company to price, credit, liquidity, and market risks**

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

### **Credit risk**

Credit risk is 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 and from the use of financial instruments that provide for the settlement of positions with the counterparty.

Concerning accounts transactions, the Company operates with medium and large counterparties concerning which creditworthiness checks are carried out in advance.

The Company implements a procedure for evaluating and controlling its client portfolio, including constant control of cash receipts. In case of excessive or repeated delays, supplies are suspended.

Historically, recorded losses on receivables are very low concerning turnover and do not require specific coverages and/or insurance.

Concerning financial transactions, these are carried out with major financial institutions of large size and high creditworthiness, whose rating is monitored to limit the risk of insolvency of the counterparty.

### **Liquidity risk**

The liquidity risk can be manifested by the inability to find, under economic conditions, the financial resources necessary for the operation of the Company. The two main factors that influence the Company's liquidity are:

- The financial resources generated or absorbed by operational or investment activities;
- The maturity characteristics of the financial debt.

The Company finances its activities both through cash flows generated by operational management and through the use of external funding sources and is therefore exposed to liquidity risk, represented by the fact that the financial resources are not sufficient to meet financial and accounts debentures within the terms and maturity established. The cash flows, financing needs, and liquidity of the Company are controlled by considering the maturity of the financial assets (account receivables and other financial assets) and the cash flows expected from the related operations. The Company has both secured and unsecured credit lines, consisting of revocable short-term lines in the forms of hot financing, current account overdrafts, and signature credit.

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

As regards the exposure related to account payables, there is no significant concentration of providers.

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

### **Interest rate risk**

Since financial debt is mainly regulated by fixed interest rates, it follows that the Company is not significantly exposed to the risk of their fluctuation. In any case, the evolution of interest rates is monitored by the Company and concerning their evolution, the advisability of proceeding with adequate hedging of the interest rate risk may be evaluated. At present, the Company does not cover itself, given the insignificant impact on the income statement deriving from variances in rates.

### **Foreign exchange risk**

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

Concerning the other risks to which the Company is subject, not mentioned in this paragraph, please refer to paragraph 4 of the Explanatory Notes.

### **Information relating to the environment**

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

### **Information relating to Personnel**

The following main information is provided:

- there were no fatalities at work, accidents, or charges relating to occupational diseases during the fiscal year in question;
- the Company complies with the standards on the protection and safety of workers (Legislative Decree 9 April 2008, no. 81) and related risk valuation.

The following is a summary table that provides additional information about the personnel employed:

<b>Employees</b>	<b>31/12/2021</b>	<b>31/12/2020</b>
Executives	2	3
Clerical staff	31	33
Manual workers	22	21
<b>Total average number</b>	<b>55</b>	<b>57</b>

### Allocation of the fiscal year result

Dear Shareholders, it is proposed to allocate the profit for the fiscal year, amounting to Euro 1,226,697.00 as follows:

- Euro 61,335.00 to a legal reserve
- Euro 1,165,362.00 retained profits

We thank you for your trust and invite you to approve the financial statements as presented.

Milan, 22 March 2022.

The Chairman of the Board of Directors

(Dr. Sandro Camilleri)