*REPORT TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2022*

*Registered office in Milan (MI) - Via Giuseppe Parini 9*
*Share capital €5,478,981*
*Tax code, VAT number and*
*Company Register of Milan Monza Brianza Lodi no. 10354300013*
*R.E.A. No. MI-2540487*

MATICA FINTEC S.p.A.
Registered office in Milan (MI) - Via Giuseppe Parini 9
Share capital €5,478,981.
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R.E.A. No. MI-2540487

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# DIRECTORS’ REPORT ON OPERATIONS

# AT DECEMBER 31, 2022

Shareholders,

the consolidated financial statements and separate financial statements for the year ended December 31, 2022 were prepared in accordance with IAS/IFRS.

This Directors' Report on Operations on the consolidated and separate financial statements of the parent company, pursuant to Article 40, paragraph 2-bis of Legislative Decree No. 127 of 1991, is presented in a single document, giving greater emphasis, where appropriate, to matters that are relevant to the group of companies included in the consolidation.

The consolidated figures of the Group contained in this Report at December 31, 2022 are not compared with those of the comparable period of the previous year, as the company was not required to prepare such a document and therefore the figures are not available in the required form.

The Directors state that they have adopted measures with the development of appropriate setups under the regulation on the Code of Business Crisis and Insolvency (Legislative Decree 83/2022).

## Operations and business development

The Group engages in the development, production, and marketing of security document issuance systems and associated software (including driver's licenses, passports, ID cards, and financial cards); with significant investments in innovative products over recent years, it has rapidly evolved into an internationally recognized player.

The security document market is experiencing consistent growth, driven by the global demand for identification documents that meet ever-higher security standards; these documents are essential in combating potential counterfeiting efforts and providing comprehensive identification information for citizens (such as IDs, passports, driver's licenses, and migration documents). Additionally, a critically important aspect for these kinds of documents is the durability of the paper. In fact, the life expectancy of ID documents is much longer than for other smart cards, and their replacement can be one of the most significant cost elements for governments. Our research and development department focuses on creating cutting-edge technological solutions tailored to such market; this effort necessitates staying up-to-date with the latest advancements in technology, enhancing security measures, and maintaining the essential standards of durability and reliability across both hardware and software components.

On the other hand, the global financial market is witnessing comparatively modest growth, with the exception of certain regions where the practice of issuing financial cards directly at bank counters has introduced a new, sophisticated market segment. Our decision to develop new instant-issuance financial systems was motivated by this emerging trend; these more compact solutions enable on-demand payment card customization directly at bank branches or through automated kiosks, streamlining the process and offering customers immediate, high-quality service. The contactless card issuing market is also experiencing significant growth as it allows the user to make a touchless payment, thus avoiding any contact.

A niche within the financial market that is witnessing robust growth involves specialty applications, such as metallic credit cards, wooden cards, and high-end products; our centralized issuing laser solutions and application software place us among the top global market leaders in this domain.

Instead of facing a significant decline, we expect the bank card industry to increasingly demand technologically advanced systems capable of storing transaction-related data, biometric information, and financial details.

Pursuant to Article 2428 of the Italian Civil Code, it should be noted that the Parent Company's activities are carried out at its headquarters in Galliate (NO), Vicolo Omar, 33, where the administrative offices and production plant are located. The Company does not conduct business in branch offices.

## Operating and Financial Performance of the Group

On the operations front, the Group ended 2022 with revenue amounting to €/000 19,486

In 2022, the Group reported an EBITDA of €/000 4,970 (approximately 26% of 2022 sales).

EBIT in 2022 was €/000 3,891.

2022 closes with a Group profit of €/000 2,593.

**Reclassified consolidated income statement at December 31, 2022**

| **Income statement**<br>(Figures in Euro Thousands) | **31/12/2022** |
|---|---|
| Revenue and income | 19,486 |
| Other revenue and income | 30 |
| Change in WIP and PF inventory | - |
| Capitalization of work on time and materials basis | 705 |
| Other write-downs and utilizations | - |
| **Revenue** | **20,222** |
| COGS (Incl. change in inventory) | (6,716) |
| **Gross margin** | **13,506** |
| Services | (4,071) |
| Personnel | (3,925) |
| Rent and facility expense | (287) |
| Sundry operating expense | (253) |
| **EBITDA** | **4,970** |
| Amortization, depreciation and provisions | (1,079) |
| **EBIT** | **3,891** |
| Financial income/(expense) | (493) |
| Extraordinary income/(expense) | 131 |
| **EBT** | **3,530** |
| Tax | (937) |
| **Profit (loss) for the year** | **2,593** |

The presentation of operations is intended to emphasize the Group's specialties more prominently.

## Reclassified consolidated balance sheet at December 31, 2022

| *Amounts in Euro thousands* | **31/12/2022** |
|---|---|
| Net intangible fixed assets | 6,780 |
| Net tangible fixed assets | 379 |
| Investments and other fixed assets | 1,085 |
| **Fixed Capital** | **8,244** |
| Inventory | 4,652 |
| Receivables from Customers and Other Receivables | 4,880 |
| Tax receivables and deferred tax assets | 131 |
| Financial assets not held as fixed assets | - |
| Accrued income and prepaid expense | 294 |
| **Current operating assets** | **9,956** |
| Payables to suppliers | (2,393) |
| Tax liabilities and deferred tax | (1,381) |
| Other payables | (2,938) |
| **Current operating liabilities** | **(6,712)** |
| **Net working capital for the year** | **3,244** |
| Post-employment benefits | (282) |
| Other medium- and long-term liabilities | (113) |
| **Medium- and long-term liabilities** | **(395)** |
| **Net capital employed** | **11,093** |
| Equity | 12,542 |
| Short-term net financial position | (10,622) |
| M/L-term net financial position | 9,174 |
| **Equity and net financial debt** | **11,093** |

### Consolidated net financial debt at December 31, 2022

Adjusted consolidated net financial debt is cash positive at €/000 811.

| Figures in Euro Thousands | **31/12/2022** |
|---|---|
| A. Cash | 12,612 |
| B. Cash equivalents | - |
| C. Other current financial assets | 232 |
| **D. Liquidity (A + B + C)** | **12,844** |
| E. Current financial debt | 700 |
| F. Current portion of non-current financial debt | 1,521 |
| **G. Current financial debt (E + F)** | **2,221** |
| **H. Net current financial debt (G - D)** | **(10,623)** |
| I. Non-current financial debt | 5,871 |
| J. Debt instruments | 3,303 |
| K. Trade payables and other non-current payables | - |
| **L. Non-current financial debt (I + J + K)** | **9,174** |
| **M. Total financial debt (H + L)** | **(1,448)** |
| N. Past due tax payables | 556 |
| O. Past due social security payables | 81 |
| **P. PAST DUE SOCIAL SECURITY TAX PAYABLES (N) + (O)** | **638** |
| **Q. Adjusted financial debt (M) + (P)** | **(811)** |

### Consolidated income and financial position indicators at December 31, 2022

The main consolidated income and financial indicators are shown below:

| **FIXED ASSET FINANCING INDICATORS** | | **31/12/2022** |
|---|---|---|
| Equity less fixed assets margin | *Equity – Fixed assets* | 5,383 |
| Equity less fixed assets ratio | *Equity / Fixed assets* | 1.75 |
| Equity plus non-current liabilities less fixed assets margin | *(Equity + Consolidated liabilities) - Fixed assets* | 5,668 |
| Equity plus non-current liabilities less fixed assets ratio | *(Equity + Consolidated liabilities) / Fixed assets* | 1.79 |

| **INDEXES ON THE STRUCTURE OF FINANCING** | | **31/12/2022** |
|---|---|---|
| Total debt ratio | *(Pml + Pc) / Equity* | 0.55 |
| Financing debt ratio | *Financing Liabilities/Equity* | 0.91 |

| PROFITABILITY INDEXES | | 31/12/2022 |
|---|---|---|
| Net ROE | *Net result/Average equity* | 21% |
| Gross ROE | *Gross result/Average equity* | 28% |
| ROI | *Operating result/(Average CIO - Average operating liabilities)* | 39% |
| EBITDA on Revenue | *Gross Operating Margin/Revenue* | 26% |
| ROS | *Operating result/Revenue from sales* | 21% |

| SOLVENCY INDICATORS | | 31/12/2022 |
|---|---|---|
| Current assets less current liabilities margin | *Current Assets - Current Liabilities* | 3,572 |
| Current assets less current liabilities ratio | *Current Assets / Current Liabilities* | 1.54 |
| Treasury margin | *(Deferred cash + Immediate cash) - Current liabilities* | 6,228 |
| Treasury ratio | *(Deferred cash + Immediate cash) / Current liabilities* | 1.94 |

## Operating and Financial Performance of the Parent Company

On the operations front, the Parent Company ended 2022 with revenue amounting to €/000 17,509.

In 2022, the parent company achieved an EBITDA of €/000 4,678 (approximately 27% of 2022 sales) versus €/000 3,274 in 2021 (approximately 23% of 2021 sales).

EBIT in 2022 was €/000 3,613 versus €/000 2,007 in 2021.

2022 closed with a profit of €/000 2,318 versus a profit of €/000 1,228 in the previous year.

**Reclassified income statement of the parent company at December 31, 2022**

| Income statement | 31/12/2022 | 31/12/2021 |
|---|---|---|
| (Figures in Euro Thousands) | | |
| Revenue and income | 17,509 | 14,505 |
| Other revenue and income | 30 | - |
| Change in WIP and PF inventory | - | - |
| Capitalization of work on time and materials basis | 705 | 670 |
| Other write-downs and utilizations | - | - |
| **Revenue** | **18,245** | **15,175** |
| COGS (Incl. change in inventory) | (6,148) | (6,372) |
| **Gross margin** | **12,097** | **8,803** |
| Services | (3,683) | (2,150) |
| Personnel | (3,281) | (3,077) |
| Rent and facility expense | (203) | (251) |
| Sundry operating expense | (252) | (51) |
| **EBITDA** | **4,678** | **3,274** |
| Amortization, depreciation and provisions | (1,065) | (1,267) |
| **EBIT** | **3,613** | **2,007** |
| Financial income/(expense) | (492) | (326) |
| Extraordinary income/(expense) | 131 | 105 |
| **EBT** | **3,252** | **1,786** |
| Tax | (934) | (558) |
| **Profit (loss) for the year** | **2,318** | **1,228** |

The presentation of operations is intended to emphasize the Parent Company's specialties more prominently.

**Net financial debt of the parent company at December 31, 2022**

The adjusted net financial debt of the parent company is cash negative at €/000 674 (cash positive at €/000 520 in 2021) and shows a change from the previous year of €/000 1,194.

| Figures in Euro Thousands | 31/12/2022 | 31/12/2021 |
|---|---|---|
| A. Cash | 11,128 | 13,166 |
| B. Cash equivalents | - | - |
| C. Other current financial assets | 232 | 300 |
| **D. Liquidity (A + B + C)** | **11,359** | **13,466** |
| E. Current financial debt | 700 | 700 |
| F. Current portion of non-current financial debt | 1,521 | 342 |
| **G. Current financial debt (E + F)** | **2,221** | **1,042** |
| **H. Net current financial debt (G - D)** | **(9,138)** | **(12,424)** |
| I. Non-current financial debt | 5,871 | 6,766 |
| J. Debt instruments | 3,303 | 3,844 |
| K. Trade payables and other non-current payables | - | - |
| **L. Non-current financial debt (I + J + K)** | **9,174** | **10,611** |
| **M. Total financial debt (H + L)** | **36** | **(1,813)** |
| N. Past due tax payables | 556 | 1,034 |
| O. Past due social security payables | 81 | 258 |
| **P. PAST DUE SOCIAL SECURITY TAX PAYABLES (N) + (O)** | **638** | **1,293** |
| **Q. Adjusted financial debt (M) + (P)** | **674** | **(520)** |

### Income and financial indicators of the parent company at December 31, 2022

The main income and financial indicators of the parent company are shown below:

| FIXED ASSET FINANCING INDICATORS | | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| Equity less fixed assets margin | *Equity – Fixed assets* | 3,726 | 2,776 |
| Equity less fixed assets ratio | *Equity / Fixed assets* | 1.44 | 1.47 |
| Equity plus non-current liabilities less fixed assets margin | *(Equity + Consolidated liabilities) - Fixed assets* | 4,012 | 3,280 |
| Equity plus non-current liabilities less fixed assets ratio | *(Equity + Consolidated liabilities) / Fixed assets* | 1.47 | 1.56 |

| INDEXES ON THE STRUCTURE OF FINANCING | | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| Total debt ratio | *(Pml + Pc) / Equity* | 0.45 | 0.36 |
| Financing debt ratio | *Financing Liabilities/Equity* | 0.93 | 1.33 |

| PROFITABILITY INDEXES | | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| Net ROE | *Net result/Average equity* | 19% | 14% |
| Gross ROE | *Gross result/Average equity* | 27% | 21% |
| ROI | *Operating result/(Average CIO - Average operating liabilities)* | 32% | 29% |
| EBITDA on Revenue | *Gross Operating Margin/Revenue* | 27% | 23% |
| ROS | *Operating result/Revenue from sales* | 21% | 14% |

| SOLVENCY INDICATORS | | 31/12/2022 | 31/12/2021 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Current assets less current liabilities margin | *Current Assets - Current Liabilities* | 3,408 | 1,859 |
| Current assets less current liabilities ratio | *Current Assets / Current Liabilities* | 1.64 | 1.46 |
| Treasury margin | *(Deferred cash + Immediate cash) - Current liabilities* | 6,071 | 9,145 |
| Treasury ratio | *(Deferred cash + Immediate cash) / Current liabilities* | 2.15 | 3.27 |

## Research & Development

During the year, the Parent Company conducted research and development initiatives, focusing on multiple projects to enhance card security, boost the production rate of cards per hour, and create technological solutions for customizing cards made from environmentally friendly materials, such as those derived from wood. The subsidiares companies focused on developing new software solutions suitable for the latest versions of the chips. The Software team concurrently continued its development efforts to finalize implementation projects for new clients and carry out essential upgrades for ongoing projects. The Parent Company in particular carried out both industrial research and experimental research. At the balance sheet date, several projects are still in the process of being finalized.

## Transactions with subsidiaries, affiliates, parents and related parties of the Group

The Parent Company had the following transactions with the controlling entity:

| Description | Financial payables | Trade receivables | Trade payables | Invoices/CN to be received | Advances | Costs | Revenue | Interest expense on loans |
|---|---|---|---|---|---|---|---|---|
| Matica Technologies AG | 37,974 | - | - | (898) | - | (9,860) | - | - |
| **Total** | **37,974** | - | - | **(898)** | - | **(9,860)** | - | - |

The Parent Company had the following transactions with related parties:

| Description | Financial receivables | Trade receivables | Trade payables | Invoices/CN to be received | Advances | Costs | Revenue | Interest income on loans |
|---|---|---|---|---|---|---|---|---|
| Matica Corp | 16,503 | 625,291 | (39,786) | - | - | (65,742) | 889,828 | - |
| Matica Technologies FZE | - | - | (917) | (3,965) | - | (1,146) | 328,789 | - |
| Matica Technologies Beijing | - | - | - | - | - | - | 4,500 | - |
| Matica Technologies Group SA | 1,038,300 | 333,011 | (7,605) | (222,288) | - | (295,869) | 102,097 | 16,250 |
| Matica Technologies Group SA IB | 1,888 | 72,840 | (3,300) | - | - | (16,843) | 50,903 | - |
| Card Technologies | - | 2,507 | - | - | - | - | - | - |
| **Total** | **1,056,691** | **1,033,649** | **(51,607)** | **(226,253)** | - | **(379,600)** | **1,376,118** | **16,250** |

In defining related party, the Parent Company referred to CONSOB Regulation No. 17221 of 12/03/2010 as amended and supplemented. These dealings, which do not include atypical and/or unusual transactions, are settled at normal market conditions.

## Number and par value of both treasury shares and shares or units of parent companies

At 31.12.2022, the Parent Company held a total of a total of 19,800 treasury shares, equal to 0.181% of the share capital.

## Significant events after year end

Mention should be made that on February 6, 2023, Matica Fintec S.p.A. received disclosure from Matica Technologies Group SA that the significance threshold of 5% of the share capital of Matica Fintec S.p.A. had been exceeded as a result of the transaction described below. DISO Verwaltungs AG (majority shareholder of Matica Fintec S.p.A.) and Matica Technologies Group SA completed on February 1, 2023 the off-market block sale by DISO Verwaltungs AG in favour of Matica Technologies Group SA of a total of 994,323 ordinary shares of Matica Fintec S.p.A., equal to 9.07% of the Company's share capital. As a result of the disposal, DISO Verwaltungs AG holds a 50.01% stake in the share capital of Matica Fintec S.p.A. The transaction is part of a reorganization of the corporate structure and streamlining of the chain of control in which Matica Technologies Group SA directly acquires a significant stake, in accordance with the Bylaws, in the Company. As a result of this transaction, the share capital of Matica Fintec S.p.A. remains in the hands of the Group of companies attributable to Sandro Camilleri, Chairman of the Board of Directors of the Company, for a total 59.08% stake.

Regarding the ongoing conflict between Russia and Ukraine, the Company continues to report no direct connections with the two countries involved.

Implementation of Model 231 for the Parent Company continued, adopted on October 14, 2020, through staff training with participation of all employees and active involvement of the heads of the company's upper-level functions by the Supervisory Board and the implementation of the procedures drawn up.

Regarding the acquirees (CTC and NBS US), restructuring and cost efficiency was carried out by moving the Company to a cheaper and better served location always in Minneapolis. On 01.01.2023, the two companies were merged into a single entity named UbiQ Software Inc. realigning the year to that of the Parent Company.

## Business outlook of the Group

In 2023, the management of the Parent Company will develop along the strategic lines announced at the IPO, aimed at growth through acquisitions.

In light of the uncertainty brought by the shortage of critical components (e.g., electronic components), the income and financial impacts on the Company's 2023 financial statements are to date hard to predict.

However, the figures available are proof of a positive trend, confirming that the decisions taken in terms of market positioning and value chain integration have proven to be successful. Ubiq Software Inc. will continue its product marketing activities and will enhance Software development.

## Group's exposure to price, credit, liquidity, market risks

Pursuant to Article 2428, paragraph 2, point 6-bis b) of the Civil Code, information on the use of financial instruments is shown below, as it is relevant to the assessment of the financial position.

### 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 involving the settlement of positions with the counterparty.

With regard to trade transactions, the Group operates with medium- and large-sized counterparties in relation to which creditworthiness audits are carried out in advance.

The Group implements a procedure for evaluating and controlling its customer portfolio, including through constant monitoring of collections. In case of excessive or repeated delays, supplies are suspended.

Historically recorded losses on receivables are extremely low in relation to turnover and do not require special hedging and/or insurance.

As for financial transactions, these are carried out with primary, large-sized financial institutions with high creditworthiness, whose rating is monitored for the purpose of limiting the risk of counterparty default.

<u>Liquidity risk</u>

Liquidity risk can arise with the inability to raise, under economic conditions, the financial resources required for the Group's operations. The two main factors affecting the liquidity of the Group are:

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

The Group finances its activities both through cash flows generated by operations and through resort to loan capital, and is therefore exposed to liquidity risk, represented by the fact that financial resources are not sufficient to meet financial and commercial obligations on the set terms and deadlines. The Group’s cash flows, financing requirements, and liquidity are controlled by considering the maturity of financial assets (trade receivables and other financial assets) and the expected cash flows from related transactions. The Group has both secured and unsecured lines of credit, consisting of cancellable short-term lines in the forms of hot loans, overdrafts and signature credit.

At December 31, 2022, liquidity risk is mitigated by cash held.

Regarding exposure related to trade payables, there is no significant supplier concentration.

Management believes that the funds generated from operations and financing activities will enable the Group to meet its needs arising from investing activities, working capital management, and repayment of debts as they mature contractually.

<u>Interest rate risk</u>

Since financial debt is mostly governed by fixed interest rates, it follows that the Group is not significantly exposed to the risk of their fluctuation. However, the trend of interest rates is monitored by the Group, and in relation to their trend, the appropriateness of interest rate risk hedging may be considered. To date, the Group does not hedge, given the immaterial impact on the income statement from changes in rates.

Exchange risk

Exposure to the risk of changes in exchange rates arises from conducting business in currencies other than the Euro. The Group carries on its business primarily in Euro, and in any case a large part of its transactions; therefore, this risk should be considered negligible.

For information on additional risks to which the Group is exposed, which are not discussed in this section, reference is made to Section 5 of the Notes to the Financial Statements.

## Information on the environment

In relation to this type of disclosure, the Group highlights that, given the nature of its business, which does not pose significant risks, it has not incurred substantial expense or made major investments concerning environmental matters.

## Information on personnel

The following main information is provided:

- there were no occupational deaths, accidents or occupational disease charges in the year under review;

- the Group complies with regulations on worker protection and safety (Legislative Decree No. 81 of April 9, 2008) and related risk assessment.

The following is a summary table that provides additional information on employees:

| **Employees** | **31/12/2022** |
|---|---:|
| Executives | 6 |
| White collars | 40 |
| Blue collars | 25 |
| **Total average number** | **71** |

## Allocation of parent company profit

Shareholders, it is proposed that profit for the year, amounting to €2,318,481.00, be allocated as follows:

- €115,924.00 to the legal reserve;
- €2,202,557.00 to retained earnings.

We thank you for the confidence shown in us and invite you to approve the financial statements as prepared.

Milan, March 17, 2023

The Chairman of the Board of Directors

(Sandro Camilleri)