CONSOLIDATED HALF-YEAR FINANCIAL REPORT
JUNE 30, 2023

MATICA FINTEC S.P.A.
Registered office in Milan - Via Giuseppe Parini 2
Share Capital €5,478,981.00 =
Tax code, VAT number and
Company Register of Milan Monza Brianza Lodi no. 10354300013
R.E.A. No. MI-2540487

Consolidated statement of financial position

Amounts in Euro	Notes	30/06/2023	31/12/2022
Non-current assets			
Tangible fixed assets	**7**	440,098	378,687
Plant and machinery		115,837	131,646
Furniture and equipment		49,258	64,177
Vehicles		144,306	60,129
Leasehold improvements		8,916	9,037
Other property plant and machinery		121,781	113,698
Intangible fixed assets	**8**	*7,007,096*	*6,780,418*
Development costs		3,397,360	3,203,291
Patents, Trademarks and other rights		51,391	58,249
Software		10,780	18,587
Other intangible assets		1,261,971	1,214,697
Goodwill		2,285,594	2,285,594
Investments		(0)	(0)
Other non-current assets	**9**	862,038	960,208
Deferred tax assets	**10**	67,605	124,413
Total non-current assets		**8,376,837**	**8,243,726**
Current assets			
Inventory	**11**	4,722,411	4,651,938
Tax receivables	**12**	210,141	131,192
Trade and sundry receivables	**13**	6,307,626	5,110,637
Cash and cash equivalents	**14**	11,504,583	12,612,063
Other assets	**15**	251,655	293,571
Total current assets		**22,996,417**	**22,799,401**
Total Assets		**31,373,254**	**31,043,127**
Equity			
Share capital		5,478,981	5,478,981
Legal reserve		199,178	83,254
Other reserves		4,097,510	4,178,923
Retained earnings (losses carried forward)		2,676,269	208,122
Profit (loss) for the period		884,158	2,592,545
Total equity	**16**	**13,336,095**	**12,541,825**
Non-current liabilities			
Financial payables	**17**	8,024,182	9,270,507
Provision for other employee benefits	**18**	339,023	281,710
Deferred tax liabilities and tax provisions	**19**	21,365	13,541
Non-current tax payables	**20**	69,316	95,251
Other non-current liabilities	**21**	22,293	4,024
Total non-current liabilities		**8,476,179**	**9,665,032**

Current liabilities			
Financial payables	**17**	2,959,031	2,221,093
Current tax payables	**20**	1,030,730	1,381,082
Trade and sundry payables	**22**	2,468,237	2,393,326
Other current liabilities	**21**	3,102,983	2,840,769
Total current liabilities		**9,560,980**	**8,836,270**
Total equity and liabilities		**31,373,254**	**31,043,127**

Consolidated statement of comprehensive income

Amounts in Euro	Notes	30/06/2023	31/12/2022
Revenue from sales	**23**	11,438,226	19,486,192
Other revenue and income	**23**	187,814	324,181
Change in inventory	**11**	111,926	692,535
Increases in internal work capitalized	**8**	380,751	705,171
Total Revenue		**12,118,716**	**21,208,079**
Purchase costs	**24**	4,320,583	7,408,359
Other operating costs	**25**	3,203,353	4,790,377
Service costs		2,677,007	4,070,812
Rentals and leases		160,255	286,764
Sundry operating expense		366,091	432,801
Personnel expense	**26**	2,607,868	3,925,009
Operating costs		**10,131,803**	**16,123,745**
EBITDA		**1,986,913**	**5,084,335**
Amortization/depreciation	**7, 8**	440,877	914,679
Provisions for risks	**27**	0	0
Write-backs/(Write-downs)	**28**	1,643	164,272
EBIT		**1,544,393**	**4,005,383**
Financial income		120,380	166,096
Financial expense		(425,301)	(641,858)
Net financial income (expense)	**29**	**(304,921)**	**(475,762)**
Profit (loss) before tax		**1,239,471**	**3,529,621**
Current tax		290,682	1,048,358
Deferred tax assets/(liabilities)		64,632	(111,282)
Total tax	**30**	**355,314**	**937,076**
Profit (loss) for the year (A)		**884,158**	**2,592,545**
Basic earnings/(loss) per share (Euro per share)		0.0833	0.2441

Diluted earnings/(loss) per share (Euro per share)	0.0833	0.2441

Other Profit/(Loss) of comprehensive result:		
Other items of the comprehensive income statement in the period that will later be released to the income statement	**-**	**-**
Other items of the comprehensive income statement in the period that will not be later released to the income statement	**-**	**-**
Actuarial gains/(losses) from "defined benefit plans"	**-**	77,443
Total Other Gains/(Losses), net of tax effect (B)	**0**	**77,443**
Total comprehensive income/(loss) (A) + (B)	**884,158**	**2,669,988**

Consolidated Statement of Cash Flows

Amounts in Euro

		30/06/2023
Profit (loss) for the year before tax		1,239,471
Adjustments for:		
- non-cash items - Write-downs (write-backs)		1,643
- non-cash items - allocations / (releases)		(89,887)
- Financial income		(120,380)
- Financial expense		425,301
- non-cash items - amortization and depreciation		440,877
Adjusted profit for the period (loss) before tax		**1,897,026**
Cash generated from operations		
- Income tax paid		(745,917)
	Total	**(745,917)**
Changes in working capital		
Change in receivables from customers		(1,198,633)
Change in inventory		(70,473)
Change in payables to suppliers		74,910
Change in other receivables and other payables		420,569
Change in provision for post-employment benefits and other provisions		57,313
	Total	**(716,313)**

Cash flow from operations (1)	**434,795**
Disposals (Acquisitions):	
- Tangible	(104,211)
- Intangible	(624,755)
- Financial	0
Cash flow from investing activities (2)	**(728,966)**
Financing activities	
Increases/(decreases) financial payables	(508,387)
Financial income (expense)	(304,921)
Share capital increases of a cash nature	0
(Purchase)/disposal of treasury shares	0
Other changes in equity	0
Cash flow from financing activities (3)	**(813,308)**
Change in cash (1+2+3)	**(1,107,479)**
Cash, beginning of period	**12,612,063**
Cash, end of period	**11,504,583**

Statement of Changes in Equity

Amounts in Euro

	Share capital	Reserves	Retained earnings	Profit for the year	Total Group	Reserves non-controlling interests	Profit (loss) non-controlling interests	Total non-controlling interests	Total
31/12/2022	5,478,981	4,262,177	208,122	2,592,545	**12,541,825**	-	-	**-**	**12,541,825**
Allocation of the result	-	115,924	2,476,621	(2,592,545)	**-**	-	-		-
Other changes	-	(81,413)	(8,474)	-	**(89,887)**	-	-	-	(89,887)
Dividends distributed	-	-	-	-	**-**	-	-	-	-
Comprehensive profit/(loss)	-	-	-	-	**-**	-	-	-	-
Result	-	-	-	884,158	**884,158**	-	-	-	884,158
30/06/2023	**5,478,981**	**4,296,688**	**2,676,269**	**884,158**	**13,336,095**	**-**	**-**	**-**	**13,336,095**

Explanatory notes to the consolidated financial statements

Foreword

This Consolidated Half-Year Financial Report at June 30, 2023 (hereinafter also the "Financial Report") was prepared in accordance with IAS 34, on the assumption that the company operates and is a going concern, applying the accounting standards set forth in IFRS issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. "IFRS" also means the International Accounting Standards ("IAS") still in force, as well as all the interpretations issued by the Interpretation Committee, formerly the International Financial Reporting Interpretations Committee ("IFRIC") and earlier the Standing Interpretations Committee (“SIC”).

This Consolidated Half-Year Financial Report was prepared pursuant to and for the purposes of Article 18 of the Euronext Growth Milan Regulation of Borsa Italiana S.p.A..

1 Basis for presentation

This Consolidated Half-Year Financial Report at June 30, 2023 consists of the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity, Notes to the Financial Statements, and is also accompanied by the Directors' Report on Operations.

It should be noted that the consolidated statement of comprehensive income figures contained in this Financial Report at June 30, 2023 are not compared with the corresponding figures for the prior period, but are compared with the annual consolidated figures at December 31, 2022, since the parent company was not required to prepare such a document at June 30, 2022, and therefore the figures are not available in the required form. However, in the Directors’ Report on Operations, in the paragraph "Operating and Financial Performance of the Parent Company”, a comparison is provided between the figures at June 30, 2023 and the comparative figures at December 31, 2022 and at June 30, 2022 taken from the separate financial statements of the Parent Company.

The format adopted for the statement of financial position includes the distinction between current and non-current assets and liabilities.
The items of profit/loss for the year are included directly in the statement of comprehensive income. The income statement format adopted envisages the classification of costs by nature.

The statement of changes in equity includes the amounts of any transactions with equity holders and changes during the year in reserves.

In the statement of cash flows, cash flows from operations are presented using the indirect method, whereby net profit or loss for the year is adjusted for the effects of non-cash transactions, any deferrals or accruals of prior or future operating cash receipts or payments, and items of income or expense related to cash flows from investing or financing activities.

The Statement of Financial Position, Statement of Comprehensive Income, and Statement of Reconciliation of Equity are presented in units of Euro; amounts shown in the notes to the financial statements are in Euro thousands unless otherwise indicated.

2 Consolidation scope

This Financial Report includes the financial statements at June 30, 2023 of the companies/entities included in the consolidation scope (hereinafter "consolidated entities") prepared in accordance with IAS/IFRS accounting standards of the Group.

Subsidiaries are all those investees over which the Group concurrently has:

- decision-making power, namely, the ability to direct the relevant activities of the investee, i.e., those activities that have a significant influence on the results of the investee;
- entitlement to variable (positive or negative) results derived from the investment in the consolidated entity;
- ability to use its decision-making power to determine the amount of results derived from the investment in the consolidated entity.

The financial statements of subsidiaries are included in the consolidated financial statements as of the date on which control is assumed until such control ceases to exist. The portions of equity and net result attributable to non-controlling interests are shown separately in the Consolidated Statement of Financial Position and Consolidated Income Statement, respectively.

Listed below are the entities included in the consolidation scope and the relating percentages of direct or indirect ownership by the Group:

Subsidiaries are consolidated on a line-by-line basis.

The following is a list of Matica Fintec S.p.A. (the "Parent Company") investments at June 30, 2023:

Amounts in Dollars

	Incorporation Date	Address	Currency	Share Capital	% ownership (direct or indirect)
UbiQ Software Inc.	12/07/2004	10925 Bren Road East, Minneapolis, Minnesota 55343, USA	Dollar	1,442,964	100.00%

The subsidiary UbiQ Software Inc. is the merged entity of the two companies, already controlled at December 31, 2022, Card Technology Group Corp. and NBS Technologies (US) Inc. As part of this merger, which took effect for accounting purposes on January 1, 2023, in the interest of organizational efficiency, the fiscal year of the merged company was realigned with that of the Parent Company.

This merger did not generate any consolidation difference, considering that the effects of the first consolidation were already incorporated into the consolidated financial statements at December 31, 2022. Therefore, this transaction does not represent a change in the consolidation scope.

The following is a list of the Parent Company's investments at December 31, 2022 (before the merger mentioned in the previous paragraphs):

Amounts in Dollars

	Incorporation Date	Address	Currency	Share Capital	% ownership (direct or indirect)
Card Technology Corp.	09/12/1983	405 Second Avenue south, Minneapolis, Minnesota 55401 USA	Dollar	9,587,844	100.00%
NBS Technologies (US) Inc.	12/07/2004	10925 Bren Road East, Minneapolis, Minnesota 55343, USA	Dollar	7,075,287	100.00%

Consolidation methods

The main consolidation methods adopted are as follows:

- the carrying amount of the investments, included in the consolidation scope, is eliminated against the relevant equity, in connection with the assumption of assets and liabilities based on the global integration method; any difference arising from the above elimination, after being allocated, where possible, to the individual elements of assets and liabilities, is carried as an adjustment to the group's equity and allocated to retained earnings (losses);
- receivables and payables, costs and revenue, any dividends received, and any other transactions between companies included in the consolidation scope are eliminated;
- the following criteria were adopted for the translation of financial statements expressed in foreign currencies into Euro, consistent with current regulations:
  - assets and liabilities are valued at the spot exchange rate at June 30, 2023;
  - income statement items are valued by applying the average exchange rate for the period.

Exchange rate differences arising from the translation of equity at historical exchange rates of formation as opposed to those in effect at the balance sheet date, including the difference arising from the income result expressed at the average exchange rate for the period, are charged directly to equity in a specific "Reserve from translation differences".

The exchange rates used for the financial statements of foreign subsidiaries in foreign currencies are as follows:

- euro/dollar daily exchange rate at June 30, 2023: 1.0866
- average annual euro/dollar rate (January-June) 2023: 1.0807
- euro/dollar daily exchange rate at December 31, 2022: 1.0666
- average annual euro/dollar rate 2022: 1.0530

(Source Bank of Italy http://cambi.bancaditalia.it)

With regard to information on the Group's business performance, the main events that occurred in first half 2023 and those that occurred after the closing date, reference is made to the Directors' Report on Operations accompanying these consolidated explanatory notes.

3. Applied accounting standards

General standards of preparation

The Consolidated Half-Year Financial Report was 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 presented in the notes.

Unless otherwise indicated, the accounting standards indicated in this section were also applied for the separate financial statements of Matica Fintec S.p.A..

The consolidated financial statements are prepared in accordance with IAS/IFRS issued by the IASB and published in the Official Journal of the European Community. The consolidated financial statements are prepared under the assumption of the group's ability to operate as a going concern and include the group's financial position, income statement, statement of comprehensive income, and related notes.

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

Business combinations

Business combinations are accounted through the acquisition method. The cost of an acquisition is the acquisition-date fair value of the consideration transferred, plus the amount of any non-controlling interest held. For each business combination, any non-controlling interest in the acquiree must be measured by the acquirer at fair value or in proportion to the non-controlling interest's share of the acquiree's identifiable net assets. The acquisition costs are recognized and classified under administrative expense.

At the date of acquisition, the identifiable assets acquired and liabilities assumed are recognized at fair value at the date of acquisition; exceptions are deferred tax assets and liabilities, assets and liabilities for employee benefits, liabilities or equity instruments related to share-based payments of the acquiree or share-based payments issued in lieu of contracts of the acquiree, and assets (or groups of assets and liabilities) held for sale, which are instead measured according to their relevant principle.

Any contingent consideration must be recognized by the acquirer at fair value at the acquisition date and classified in accordance with IFRS 9.

Goodwill is initially measured at the cost that arises as the excess of the sum of the consideration transferred in the business combination, the value of equity attributable to non-controlling interests, and the fair value of any previously held investment in the acquiree over the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and liabilities assumed at the date of acquisition exceeds the sum of the consideration transferred, the value of equity attributable to non-controlling interests, and the fair value of any previously held investment in the acquiree, this excess is recognized immediately in the income statement as income from the completed transaction.

Equity attributable to non-controlling can be measured at fair value or in proportion to the net assets recognized for the acquired company, at the acquisition date. The valuation method is selected on a case-by-case basis.

Any contingent consideration under the business combination agreement is measured at fair value at the acquisition date and included in the value of consideration transferred in the business combination for the purpose of determining goodwill. Any subsequent changes in this fair value, which qualify as adjustments arising in the measurement period, are included in goodwill retrospectively. Changes in fair value that qualify as adjustments that arose in the measurement period are those that result from more information about facts and circumstances that existed at the acquisition date, obtained during the measurement period (which cannot exceed a period of one year from the business combination).

In case of business combinations accomplished in subsequent steps, the investment previously held in the acquired company is subject to write-back at fair value from the date of control acquisition and any resulting income or loss is recognized in the income statement. Any amounts arising from the investment previously held and recognized in Other comprehensive income (loss) are reclassified in the income statement as if the investment had been sold.

If the initial amounts of a business combination are incomplete at the balance sheet date on which the business combination occurred, the provisional amounts of the items for which recognition cannot be completed are shown in the consolidated financial statements. These provisional amounts are adjusted in the measurement period to take account of any new information about facts and circumstances existing at the acquisition date, that, if made available earlier, would have had an impact on the value of the assets and liabilities recognized on that same date.

Transactions in which the parent company acquires or disposes of additional minority interests without changing the control exercised over the subsidiary are transactions with shareholders, and therefore their effects must be recognized in equity: there will be no adjustments to the value of goodwill and gains or losses recognized in the income statement.

Ancillary expense from business combination transactions is recognized in the income statement in the period in which it is incurred.

Intangible assets with finite useful life

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 recorded at their purchase cost, which corresponds to the price paid plus ancillary expense.

The gross carrying amount of other intangible fixed assets with finite useful life is systematically apportioned among the years in which their use occurs through allocation of constant amortization rates in relation to their estimated useful lives. Amortization starts when the asset is available for use. The amortization rates used are determined according to the useful life of the relevant assets.

Industrial patent rights and rights to use intellectual works are amortized on the basis of their presumed duration of use, however, not exceeding the duration set by license agreements.

Development costs are amortized over the time frame in which the related economic benefits are expected to be used.

Other intangible 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 recorded at their purchase cost, which corresponds to the price paid plus ancillary expense.

The gross carrying amount of other intangible fixed assets with finite useful life is systematically apportioned among the years in which their use occurs through allocation of constant amortization rates in relation to their estimated useful lives. Amortization starts when the asset is available for use and is proportionate, for the first year, to the period of actual use. The amortization rates used are determined according to the useful life of the relevant assets.

Intangible assets with indefinite useful life: Goodwill

Goodwill is recognized as an asset with indefinite useful life and is not amortized; rather, it is tested annually, or more frequently if there is an indication that specific events or changed circumstances may have resulted in impairment, for impairment. Impairment losses are recognized directly in profit and loss and are not subsequently reversed. After initial recognition, goodwill is measured net of any accumulated impairment losses.

In order to test for impairment, goodwill acquired in a business combination is allocated as of 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, regardless of whether other assets or liabilities of the acquiree are assigned to those units or groupings of units.

Each unit or groups of units to which the goodwill is allocated:

- represents the lowest level at which goodwill is monitored for internal management purposes;
- is no broader than the segments identifiable by segment reporting.

Any impairment loss is identified by comparing the carrying amount of the cash-generating unit with its recoverable value. In the event that the recoverable amount from the cash-generating unit is less than the assigned book value, the corresponding impairment loss is recognized. Such an impairment loss is not reinstated in the event that the reasons that generated it cease to apply.

If goodwill has been allocated to a cash generating unit (CGU) and the entity disposes of part of this unit, goodwill associated with the sold unit must be included in the book value of the asset when the profit or loss on disposal is determined. Goodwill associated with the discontinued operation must be calculated on the basis of the relating values of the discontinued operation and the retained portion of the cash-generating unit.

Tangible fixed assets

They are recorded at the cost of acquisition or production, including directly attributable ancillary expense required to put the asset into operation for its intended use.

Cost is reduced by depreciation, except for land, which is not depreciated because it has indefinite useful life, and any impairment losses.

Depreciation is calculated line-by-line through percentages 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 on the basis of their useful lives.

Useful lives and residual amounts are reviewed annually at the balance sheet date. The useful lives used for the purpose of preparing these financial statements are as follows:

- Leasehold improvements: shorter of useful life and lease contract
- Plant and machinery: 10%
- Industrial and commercial equipment: 15%
- furniture and fittings: 12%

– Electronic office equipment: 20%

Charges incurred for ordinary maintenance and repairs are directly charged to the income statement for the year in which they are incurred.
Gains and losses arising from the sale or disposal of property, plant and equipment are determined as the difference between the sale proceeds and the net carrying amount of the asset and are recognized in the income statement for the year.
Leasehold improvements having the characteristics of fixed assets are capitalized in the category of the asset to which they refer and are depreciated over their useful life or over the term of the lease, whichever is shorter.
Financial expense incurred for investments in assets that normally require a specific amount of time in order for the asset to be ready for use or sale (qualifying asset pursuant to IAS 23 - Borrowing costs) is capitalized and amortized over the useful life of the asset class to which it relates.
All the other financial expense is recognized in the income statement during the year in which it is incurred.

Investments

Investments in subsidiaries excluded from consolidation are carried at cost adjusted for impairment. Any excess in value between the purchase price at the time of acquisition and the share of equity at current values is therefore included in the carrying amount of the investment. Whenever there is evidence that such investments have incurred an impairment loss, the impairment loss is recognized in profit and loss. Should the share of losses in an investment exceed the carrying amount of the investment, and the entity is required to reflect those losses, the value of the investment is written off and the share of any such losses is shown as a provision in liabilities. Whenever an impairment loss is reduced or ceases to exist, the loss is reversed up to the carrying amount through profit and loss.

Associates are all those companies over which the Group is able to exercise significant influence as defined by IAS 28 - Investments in Associates and Joint Ventures. Such influence is normally presumed to exist where the Group holds between 20% and 50% of the voting rights, or in which - even with a lower proportion of voting rights - it has the power to participate in the determination of financial and management policies by virtue of special legal ties such as, for example, participation in shareholders' agreements jointly with other forms of significant exercise of governance rights.

Impairment

At least once a year, a test is conducted on whether the assets and/or cash generating units ("CGUs") to which the assets are attributable may be impaired. If there is such evidence, the recoverable value of 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.

Recoverable value is defined as the higher of its fair value less costs to sell and value in use. Value in use is defined on the basis of discounting the expected future cash flows from the use of the asset, before tax, by applying a discount rate that reflects current market changes in the time value of money and risks of the asset.

When the recoverable amount of an individual asset cannot be estimated, 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 carrying amount, the carrying amount is reduced to the recoverable amount and the loss is charged to the income statement. Thereafter, if a loss on assets other than goodwill ceases to apply or is reduced, the carrying amount of the asset (or cash-generating unit) is increased to the new estimate of recoverable amount (which in any case cannot exceed the net carrying amount that the asset would have had if the impairment loss had never been incurred). This reinstatement 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. Specifically, cash and cash equivalents include bank deposits. Financial liabilities refer to financial payables, including payables for advances on orders, assignment of receivables, as well as other financial liabilities (which include the negative fair value of derivative financial instruments), trade payables, and other payables.

Non-current financial assets

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

This measurement category includes equity instruments for which the Group - at initial recognition or at transition - has exercised an irrevocable option to present gains and losses from changes in fair value in equity (FVOCI). They are classified as non-current assets under "Other financial assets at fair value through OCI”.

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 from changes in fair value are recognized in a specific equity reserve. This reserve will not revert to the income statement. If the financial asset is sold, the amount suspended in equity is reclassified to retained earnings. Dividends from such financial assets are recognized in the income statement when the right to collect arises.

Receivables

Receivables are initially recorded at fair value, generally represented by the agreed consideration or the present value of the amount that will be collected. They are then measured at amortized cost, reduced in case of impairment. 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 in currencies other than the functional currency of individual entities are adjusted to period-end exchange rates with a balancing entry in the Income Statement. Receivables are derecognized when the right to receive cash flows is settled, when substantially all the risks and rewards associated with holding the receivable have been transferred, or if the receivable is deemed to be permanently irrecoverable after all necessary recovery procedures have been completed. Concurrent to the write-off of the receivable, the related provision is also reversed, if the receivable was previously written down.

Write-down of receivables

For trade receivables, the Group applies a simplified approach, calculating expected losses over the life of the receivables from the time of initial recognition. The Group uses a matrix based on historical experience and linked to the ageing of the receivables, adjusted to account for forecasting factors specific to certain creditors.

For financial receivables, the calculation of impairment is made with regard to expected losses in the next 12 months. This calculation is based on a matrix that includes customer ratings provided by independent market participants. If there is a significant increase in credit risk after the origination date of the receivable, the expected loss is calculated with reference to the entire life of the receivable. The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

The Group assesses whether there has been a significant increase in credit risk when the customer's rating, assigned by independent market participants, undergoes a change that shows an increase in the probability of default.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the full contractual amount past due (e.g., when receivables are at legal).

Payables

Payables are initially recorded at fair value, generally 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. Payables in currencies other than the functional currency of individual entities are adjusted to year-end exchange rates with a balancing entry in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts, post office accounts, deposits on demand, and other short-term highly liquid financial investments which are easily convertible to cash and not subject to the risk of significant value changes.

Derivative financial instruments

Consistent with IFRS 9, derivative financial instruments, where they exist, may be accounted for in the manner established for hedge accounting only when, at the inception of the hedge, there is formal designation and documentation of the hedging relationship itself, the hedge is expected to be highly effective, the effectiveness can be reliably measured, and the hedge itself is highly effective during the various periods for which it is designated.

All derivative financial instruments are measured at fair value.

If a derivative financial instrument is designated to hedge the exposure to the variability of the future cash flows of an asset or liability booked in the financial statements or a highly probable transaction that could impact on the income statement, the effective portion of the profits or losses on the derivative financial instrument is recognized in equity. The cumulative profit or loss is removed from equity and recorded in the income statement in the same period in which the relevant operating effect of the transaction subject of the hedge is recognized. The profit or loss associated with a hedge (or part of a hedge) which has become ineffective is immediately booked in the income statement. If a hedging instrument or hedging relationship is terminated, but the hedged transaction has not yet taken place, the cumulative gains and losses, up to that point recognized in equity, are recognized in the income statement in correlation with the recognition of the income effects of the hedged transaction. If the hedged transaction is no longer considered probable, the unrealized gains or losses suspended in equity are immediately recognized in the income statement.

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

Inventory

Inventory is recognized at the lower of purchase or production cost and realizable value represented by the amount the entity expects to obtain from their sale in the normal course of business. The cost configuration adopted is the weighted average cost. Purchase costs include prices paid to suppliers net of discounts and rebates.
Provisions are made against the value of inventory thus determined to account for inventory considered obsolete or slow-moving.

Assets and liabilities held for sale

Assets and liabilities held for sale and discontinued operations, if any, are classified as such if their carrying amount will be recovered primarily through sale rather than through continued use. These conditions are considered fulfilled when the sale or discontinuance of the disposal group of assets is considered highly probable and the assets and liabilities are immediately available for sale in their present condition.
When an entity is involved in a divestment plan involving the loss of control of an investee, all the assets and liabilities of that investee are classified as held for sale when the conditions described above are fulfilled, even if, after the divestment, the entity continues to hold a minority interest in the subsidiary.
Assets held for sale are measured at the lower of their net book value or fair value less costs to sell.

Employee benefits

Premiums paid under defined contribution plans are recognized in the income statement for the portion accrued during the year.
Until December 31, 2006, the provision for post-employment benefits (TFR) was considered a defined benefit plan. The regulations of this fund were amended by Law No. 296 of December 27, 2006 ("2007 Budget Law") and subsequent Decrees and Regulations issued in early 2007. In light of these changes, and in particular with regard to companies with at least 50 employees, this system is now to be considered a defined benefit plan exclusively for the portions accrued before January 1, 2007 (and not yet settled at the balance sheet date), while for the portions accrued after that date it is assimilated to a defined contribution plan.
Defined benefit pension plans, which include post-employment benefits due to employees under Article 2120 of the Civil Code, are based on employees' working lives and the remuneration received by the employee over a set period of service. Specifically, the liability representing the benefit due to employees under defined benefit plans is recorded in the balance sheet at its actuarial value.
The recognition of defined benefit plans in the financial statements requires the estimation by actuarial techniques of the amount of benefits accrued by employees in exchange for their service in the current and previous years and the discounting of these benefits to determine the

present value of the entity's commitments. The calculation of the present value of commitments is made by an independent actuary using the Projected Unit Credit Method. This method treats each period of service performed by workers with the company as an additional unit of entitlement: the actuarial liability must therefore be quantified based on only the seniority accrued as of the valuation date; therefore, the total liability is usually re-proportioned according to the ratio of the years of service accrued as of the valuation date to the total seniority attained at the time the benefit is scheduled to be paid. Additionally, the above approach considers incorporating future salary increases, for whatever reason (inflation, career, contract renewals, etc.), up to the time of termination of employment.

The cost for defined-benefit plans accrued during the year and recognized in the income statement as part of personnel expense is equal to the sum of the average present value of the rights accrued by the employees present for work performed during the year, and the annual interest accrued on the present value of the entity's commitments at the beginning of the year, calculated using the discount rate for future outlays adopted to estimate the liability at the end of the previous year. The annual discount rate adopted for the computations is assumed to be equal to the market rate at the end of the period relating to zero coupon bonds with maturities equal to the average remaining life of the liability.

The amount of actuarial losses and gains, resulting from changes in the estimates made, is charged to the income statement.

Provisions for future risks and charges

These are allocations arising from current obligations (legal or implied) and relating to a past event, the fulfillment of which is likely to require the use of resources, the amount of which can be reliably estimated. If the expected use of resources extends beyond the subsequent year, the obligation is recorded at the present value determined by discounting the expected future cash flows discounted at a rate that also takes account of the cost of money and the risk of the liability.

Provisions are reviewed at each reporting date and adjusted, if necessary, to reflect the current best estimate; any changes in estimates are reflected in the income statement for the period in which the change occurred.

Risks for which the onset of a liability is merely a possibility are disclosed in the notes to the financial statements without making any provisions.

Product sales

Revenue from product sales is recognized when performance obligations to customers are met. Performance obligations are met when control of the asset is transferred to the customer.

Retrospective discounts based on the achievement of targets, where envisaged in commercial agreements, are applied to product sales. Sales revenue is recognized net of such discounts,

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 standard commercial terms for the relevant country.

Provision of services
Revenue from services is recognized when the service rendered is completed.

Financial income and expense
Financial income and expense is recognized on an accrual basis.

Government grants
The recording of government grants is contingent upon a reasonable assurance that they will be received, which typically coincides with the formal resolution of the public granting bodies, and upon the satisfaction of all the conditions for obtaining the grants.
They are accounted for differently according to the nature of the grant, specifically:

- where grants are intended to cover costs (e.g., relief or plant grants), they should be 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 have financing substance and represent an incentive provided by a public entity without the related costs being incurred, the grant should be accounted for in equity.

Tax
Tax for the year corresponds to the sum of current and deferred tax.
Current tax is based upon taxable income for the year. Taxable income differs from the results shown in the income statement as it excludes both positive and negative entries which would be taxable or deductible in other tax years and excludes items which are not taxable or deductible at any time. The liability for current tax is calculated using the rates in effect or in fact in effect at the balance sheet date, or if known, those that will be in effect when the asset is realized or the liability settled.
Deferred tax assets and liabilities are the tax expected to be paid or recovered on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax amount used in calculating taxable income, accounted for using the global liability allocation method. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized to the extent of the probability that there will be future taxable profits which will allow for the utilization of the deductible

temporary differences. These assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (not in business combinations) of other assets or liabilities in transactions that have no influence on either profit for accounting purposes or taxable profit. The tax benefit from the carryforward of tax losses is recognized when and to the extent that it is deemed probable that future taxable income will be available against which such losses can be used.

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 there will be sufficient taxable income to allow all or part of these assets to be recovered.

Deferred tax is calculated at the tax rate expected to be in force at the time the asset is sold or the liability is settled.

Deferred tax is charged directly to the income statement, except for tax related to items recognized directly in equity, in which case the related deferred tax is also charged to equity.

Valuation of fair value

The fair value of financial instruments listed in an active market, if any, is determined on the basis of market prices on 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 existing 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 IRS is determined by discounting the estimated cash flows from it to the balance sheet date. For receivables, it is assumed that the face value net of any adjustments made to account for their collectability approximates fair value. The fair value of financial liabilities for disclosure purposes is determined by discounting contract cash flows at an interest rate that approximates the market rate at which the entity finances itself.

4 Fair value measurement

With regard to financial instruments measured at fair value, the following is the classification of these instruments based on the hierarchy of levels under IFRS 13, reflecting the significance of the inputs used in determining fair value. The levels are as follows:

Level 1 - unadjusted quoted prices in active markets for assets or liabilities subject to measurement;

Level 2 - inputs other than the quoted prices mentioned above, which are observable on 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.

At June 30, 2023, no assets or liabilities held by the Group are measured at fair value.

5 Risks to which the Group is exposed

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

5.1 Financial risks

Risks arising from changes in exchange rates

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

With regard to this risk, the strategy adopted aims at minimizing the impact on the income statement of changes in exchange rates and provides for hedging the risk arising from financial positions denominated in currencies other than the balance sheet currency if the need arises.

Based on the above, exchange rate fluctuations that occurred during the year did not have a material effect on the financial statements.

Risks arising from changes in interest rates

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 Company, 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.

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

Amounts in Euro

Financial assets at June 30, 2023	IFRS 9 CATEGORIES Financial instruments at fair value through profit or loss	Financial instruments at fair value through equity	Receivables and loans	Cash	Carrying amount
Financial assets:					
Financial receivables (portion over 12 months)	-	-	862,038		**862,038**
Receivables:					
Trade receivables from customers	-	-	6,307,626		**6,307,626**
Other current receivables/assets:					
Sundry receivables and assets	-	-	461,796		**461,796**
Cash and cash equivalents					
Bank and postal deposits	-	-	0	11,504,583	**11,504,583**
TOTAL FINANCIAL ASSETS	**-**	**-**	**7,631,460**	**11,504,583**	**19,136,043**

Financial liabilities at June 30, 2023	IFRS 9 CATEGORIES Liabilities at amortized cost	Financial instruments at fair value through profit or loss	Financial instruments at fair value through equity	Carrying amount
Payables and non-current financial liabilities:				
Payables to banks	8,024,182	-	-	**8,024,182**
Other financial liabilities	22,293	-	-	**22,293**
Current liabilities:				
Payables to banks and other lenders	2,959,031	-	-	**2,959,031**
Payables to suppliers	2,468,237	-	-	**2,468,237**
Non-current tax payables	69,316	-	-	**69,316**
Other financial liabilities	4,133,713	-	-	**4,133,713**
Other financial liabilities:	-	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**17,676,771**	**-**	**-**	**17,676,771**

5.2 Market risk

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; therefore, this risk should be considered negligible.

Interest rate risk

The Group has a minor exposure to the risk of rate fluctuations on its financial assets, short-term bank debts and loans, and long-term leases.

The Group's strategy aims at minimizing risk through a balanced allocation between fixed- and floating-rate loans, including ad hoc hedging instruments if the need arises.

Based on the above, interest rate fluctuations that occurred during the year did not have a material effect on the financial statements.

Price risk

Price risk is the possibility that the value of a financial asset or liability will vary as a result of changes in market prices (other than those related to currencies and rates).
This risk is typical of financial assets that are not listed in an active market and which cannot always be realized quickly at close to their fair value.
This risk, given the size of the outstanding investments, is not material and is therefore not hedged.

5.3 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.

5.4 Liquidity risk

Liquidity risk can arise with the inability to raise, under economic conditions, the financial resources required for the Group's operations.

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.

The Group has a long-term debt structure exposed to interest rate risk as shown in Note 17 below.

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.

6.1 Accounting standards and interpretations endorsed and effective as of January 1, 2023

Pursuant to IAS 8 "Accounting Standards, Changes in Accounting Estimates, and Errors", the IFRSs effective as of January 1, 2023, are shown below:

- Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure on accounting standards
  These changes provide guidance for the application of materiality judgments to accounting policy disclosures in a way that is more useful; specifically:

    - the requirement to disclose "significant" accounting policies has been replaced with a requirement to disclose "relevant" accounting policies;
    - guidance has been added on how to apply the concept of materiality to accounting policies disclosures.

  In assessing the materiality of accounting policies disclosures, entities should consider both the size of transactions, other events or conditions, and their nature. There was no impact on the Group Financial Statements as a result of these amendments.

- Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
  These amendments introduce a new definition of "accounting estimates", distinguishing them more clearly from accounting policies, and provide guidance for determining whether changes should be treated as changes in estimates, changes in accounting policies, or errors. There was no impact on the Group Financial Statements as a result of these amendments.

- Amendments to IAS 12 - Income taxes - deferred tax assets and liabilities arising from a single transaction
  These amendments remove the option of not recognizing deferred tax upon initial recognition of transactions that give rise to taxable and deductible temporary differences (e.g., leases).

With regard to leases, these amendments also clarify that when lease payments are deductible for tax purposes, it is a matter of judgment (after considering the applicable tax law) whether such deductions are attributable for tax purposes to the lease liability recorded on the balance sheet or to the related right of use. If tax deductions are allocated to the right of use, the tax amounts of the right of use and lease liability are the same as their book values, and no temporary differences arise upon initial recognition. However, if tax deductions are allocated to the lease liability, the tax amounts of the right of use and lease liability are nil, giving rise to taxable and deductible temporary differences, respectively. Even if the gross temporary differences are equal, a deferred tax liability and a deferred tax asset must still be recognized. There was no impact on the Group Financial Statements as a result of these amendments.

- IFRS 17 - Insurance Contracts and Amendments to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 Comparative Information
  IFRS 17, which supersedes IFRS 4 "Insurance Contracts", defines the accounting of insurance contracts issued and reinsurance contracts held.

  The amendments overcome one-time classification differences in comparative information from the previous year when IFRS 17 and IFRS 9 Financial Instruments were first implemented. The optional classification overlay introduced by this amendment allows comparative information presented when IFRS 17 and IFRS 9 are initially implemented to be more useful. There was no impact on the Group Financial Statements as a result of these amendments.

6.2 International accounting standards and/or interpretations issued but not yet effective and/or not endorsed

Under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", new Standards or Interpretations that have already been issued, but have not yet come into force or have not yet been endorsed by the European Union at June 30, 2023, and are therefore not applicable, and the foreseeable impact on the Consolidated Financial Statements, are shown below.

None of these Standards and Interpretations have been adopted by the Group in advance.

- Amendments to IAS 1 - Presentation of Financial Statements - Classification of Liabilities as current or non-current
  The amendments clarify the criteria to be applied in classifying liabilities as current or non-current and specify that the classification of a liability is not affected by the likelihood that settlement of the liability will be delayed by twelve months following the reporting period. The Group's intention to liquidate in the short term has no impact on classification. These

amendments, scheduled to take effect on January 1, 2024, have not been endorsed yet by the European Union. No impact on the classification of financial liabilities is expected as a result of these amendments.

- Amendments to IAS 1 - Presentation of Financial Statements - non-current liabilities with covenants

  These amendments specify that covenants to be met after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require the entity to provide information on these covenants in the notes to the financial statements.

  These amendments, which will come into force on January 1, 2024, have not been endorsed yet by the European Union. No impact on the classification of financial liabilities and in terms of disclosure is expected as a result of these amendments.

- Amendments to IFRS 16 Leases: Liabilities for leases in a sale and leaseback transaction

  These amendments specify the requirements for accounting for a sale and leaseback after the transaction date.

  Specifically, in the subsequent measurement of the liability arising from the lease agreement, the seller-lessee determines "lease payments" and "revised lease payments" in such a way as not to recognize gains or losses that relate to the retained right of use.

  These amendments, which will come into force on January 1, 2024, have not been endorsed yet by the European Union. No impact on the Group's Consolidated Financial Statements is expected as a result of these amendments.

- Amendments to IAS 7 Statement of Cash Flows and to IFRS 7 Financial Instruments: Disclosures - Supplier Finance arrangements

  These amendments introduce new disclosure requirements to improve the transparency of information provided regarding supplier finance arrangements, especially regarding the effects of such arrangements on the entity's liabilities, cash flows and exposure to liquidity risk.

  These amendments, which will come into force on January 1, 2024, have not been endorsed yet by the European Union. The impacts on the disclosures of the Group Consolidated Financial Statements as a result of these changes are being reviewed.

EXPLANATORY NOTES

7. Tangible fixed assets

“Tangible fixed assets” at June 30, 2023 amounted to €440 thousand (€379 thousand at December 31, 2022). Changes in tangible fixed assets in the period are shown below:

Amounts in Euro thousands	Plant and machinery	Furniture and equipment	Vehicles	Leasehold improvements	Other property, plant and machinery	Total
Amounts at 31.12.2022	**132**	**64**	**60**	**9**	**114**	**379**
Changes in the year:						
- Reclassifications	7	(8)	-	1	-	-
- Acquisitions in the year	1	2	115	1	32	151
- disposals	(650)	-	(57)	-	(17)	(724)
- depreciation	(24)	(10)	(20)	(1)	(24)	(79)
- utilizations	650	0	47	-	17	714
Amounts at 30.06.2023	**116**	**49**	**144**	**9**	**122**	**440**

During the six months, there were no events that required a reassessment of the estimated useful lives of tangible fixed assets. At the end of the reporting period, the Group has determined that there are no indications that the tangible fixed assets recorded in the assets may have been impaired and, consequently, has deemed these amounts to be fully recoverable.
Tangible fixed assets include amounts accounted for in accordance with IFRS 16 - Leases with a net book value at June 30, 2023 of €166 thousand (€85 thousand at December 31, 2022).

8 Intangible fixed assets

“Intangible fixed assets” at June 30, 2023 amounted to €7,007 thousand (€6,780 thousand at December 31, 2022). Changes in intangible fixed assets in the period are shown below:

Amounts in Euro thousands	Development costs	Patents, Trademarks and other rights	Software	Other intangible assets	Goodwill	Total
Amounts at 31.12.2022	**3,203**	**58**	**19**	**1,215**	**2,286**	**6,780**
Changes in the year:	-	-	-	-	-	-
- Acquisitions in the year	539	2	-	47	-	589
- disposals	-	-	-	-	-	-
- amortization	(345)	(9)	(8)	-	-	(362)
Amounts at 30.06.2023	**3,397**	**51**	**11**	**1,262**	**2,286**	**7,007**

Goodwill, amounting to €2,286 thousand, includes both the goodwill of Matica Fintec SpA, which arose in 2017 following transfer of the Matica Technologies Italian BU to Matica Fintec Srl (formerly Matica Electronics Srl), amounting to €1,100 thousand, and the goodwill generated as a result of the write-off of the Parent Company's investment in Card Technology Corp. amounting to €1,185 thousand, the allocation of which, under IFRS 3, will be completed within 12 months of the finalization of the Business Combination. Additionally, Other intangible assets, amounting to €1,215 thousand, include the merger deficit recognized as a result of the merger by incorporation of Matica Americas LLC into Matica Technologies Italian Branch and the goodwill recognized as a result of the purchase by Matica Technology Italian Branch (formerly Matica System) of the Digicard Engineering Gmbh (Austria) business unit.

Under IFRS, these items are not systematically amortized in the income statement, since they are assets with indefinite useful life, but are subject to an assessment carried out at least annually for the purpose of identifying any impairment ("impairment test").

Goodwill arising from the parent company is allocated to a single CGU attributable to the entire legal entity (CGU Matica Fintec), while goodwill generated as a result of the cancellation of the investment in Card Technology Corp. has been allocated to a single CGU attributable to the sub-consolidate of the U.S. legal entities (CGU CTC). At December 31, 2022, goodwill and intangible fixed assets with indefinite useful lives were tested for impairment, which consists of estimating the recoverable value of the CGUs and comparing it with the net book value of related assets, including goodwill. Value in use is the present value of the future cash flows expected to be associated with the Matica Fintec CGU and the CTC CGU, using a rate that reflects the specific risks of individual CGUs at the valuation date. The key assumptions used by Management are estimates of future increases in sales, operating cash flows, terminal value growth rate, and weighted average cost of capital (discount rate). The expected flows are those projected within the 2023-26 plan, extended to 2027, of the parent company and within the 2023-26 plan, extended to 2027, of the sub-consolidated U.S. legal entities. The discount rate, defined as the average after-tax cost of capital applied to prospective cash flows, is 10.33% for the Matica Fintec CGU and 6.5% for the CTC CGU. At December 31, 2022, a comparison between the carrying amount and the relating value in use (determined using the Discounted Cash Flow methodology) shows no impairment losses on all CGUs. A sensitivity analysis of the results was also carried out for the CGUs under consideration, considering a change in discount rates of 300 basis points under which the value in use remains far higher than the carrying amounts.

There are no indications of impairment at June 30, 2023, or other events that could have an effect on the recoverable value of the assets such that new impairment tests would be necessary at the time of this Consolidated Half-Year Financial Report.

9 Other non-current assets

"Other non-current assets" at June 30, 2023 amounted to €862 thousand (€960 thousand at December 31, 2022). The item consists of €813 thousand (€907 thousand at December 31, 2022) from the long-term portion of the loan granted by the parent company Matica Fintec to the controlling entity Matica Technologies Group SA, while the remainder mainly refers to security deposits.

10 Deferred tax assets

"Deferred tax assets" at June 30, 2023 amounted to €68 thousand (€124 thousand at December 31, 2022). Deferred tax assets at June 30, 2023 are recorded in connection with the following temporary differences and refer exclusively to the Parent Company:

Amounts in Euro thousands

Description	Taxable	Rate	30/6/23
Unrealized exchange losses	59	24.00%	14
Write-down of receivables deductible in future y	222	24.00%	53
Total			**68**

Tax assets at December 31, 2022 were recorded in connection with the following temporary differences:

Description	Taxable	Rate	31/12/2022
Unrealized exchange losses	46	24.00%	11
Write-down of receivables deductible in future years	222	24.00%	53
Unpaid directors' fees	250	24.00%	60
Total			**124**

Deferred tax assets are recognized on the assumption of their recoverability based on the probability of future taxable income.

11 Inventory

“Inventory” at June 30, 2023 amounted to €4,722 thousand (€4,652 thousand at December 31, 2022). Assets are recognized in inventory when the transfer of risks and rewards associated with the acquired assets takes place. Specifically, the item includes raw materials, goods and work in progress, as detailed below:

Amounts in Euro thousands

	30/6/23	31/12/22
Raw and ancillary materials and consumables	2,910	2,590
Goods	2,122	2,592
Work in progress	372	219
Advances	1	1
Provision for inventory write-down	(683)	(750)
Total	**4,722**	**4,652**

12 Tax receivables

"Tax receivables" at June 30, 2023 amounted to €210 thousand (€131 thousand at December 31, 2022). Tax receivables consist of €201 thousand in tax credits for research and development and technological innovation. These receivables refer exclusively to the Parent Company.

13 Trade and other receivables

"Trade and other receivables" at June 30, 2023 amounted to €6,308 thousand (€5,111 thousand at December 31, 2022). The composition of trade and other receivables at June 30, 2023 is as follows:

Amounts in Euro thousands

	30/6/23	31/12/22
Third parties	4,444	4,191
Related parties	2,155	1,212
Provision for bad debts	(292)	(293)
Total	**6,308**	**5,111**

14 Cash and cash equivalents

"Cash and cash equivalents" at June 30, 2023 amounted to €11,505 thousand (€12,612 thousand at December 31, 2022). The composition of cash and cash equivalents at December 31, 2022 is as follows:

Amounts in Euro thousands

	30/6/23	31/12/22
Cash and cash on hand	1	3
Bank deposits	11,503	12,609
Total	**11,505**	**12,612**

Cash and cash equivalents are held with leading bank counterparties at interest rates aligned with prevailing market conditions.

15 Other assets

"Other current assets" at June 30, 2023 amounted to €252 thousand (€294 thousand at December 31, 2022). They consist, as far as the Parent Company is concerned, mainly of prepaid expense calculated in connection with consulting (€77 thousand), insurance (€67 thousand), utilities (€27 thousand), other prepaid expense (€13 thousand) and advances to suppliers (€15 thousand). The remainder refers to service costs incurred and deferred by the consolidated company UbiQ Software Inc..

16 Equity

“Equity” at June 30, 2023 stood at €13,336 thousand (€12,542 thousand at December 31, 2022).

The composition of Group Equity is shown below:

Amounts in Euro thousands

	30/6/23	31/12/22
Share capital	5,479	5,479
Legal reserve	199	83
Share premium reserve	5,034	5,034
Consolidation reserve	107	107
Reserve from translation difference	(178)	(97)
Contribution reserve	16	16
Reserve for listing costs IAS 32	(938)	(938)
Reserve for capital contribution	177	177
IAS 19 Reserve	(77)	(77)
Reserve for shares held	(44)	(44)
Retained earnings (losses carried forv	2,676	208
Profit (loss) for the year	884	2,593
Total Equity	**13,336**	**12,542**

The share capital consists of 10,957,962 ordinary shares with a par value of €0.50 per share.
The consolidation reserve, amounting to €107 thousand, originates as the difference between the value of newly-issued shares to service the acquisition of Card Technology Corp (later UbiQ Software Inc. following the merger with the subsidiary NBS) and the average carrying price of the shares in the portfolio sold in order to complete the acquisition.
The share premium reserve is mainly determined by the premium paid at the time of listing for a total of €4,245 thousand and the increase in 2022 related to the two above transactions for a total of €778 thousand.
The IAS 19 reserve includes accumulated actuarial losses, recorded with a direct offset in equity under IAS 19, determined in relation to post-employment benefits. The negative reserve is determined net of deferred taxation.
At December 31, 2022, Matica Fintec S.p.A. held 19,800 treasury shares. Under IAS 31, the purchase cost of these shares was recorded in a negative reserve.

The following is a reconciliation of equity and profit for the period of the Parent Company and consolidated equity and profit for the period attributable to the Group:

Amounts in Euro

	Equity	Profit (loss) for the year	Total
Parent company financial statements	**12,258**	**840**	**13,097**
Effect of consolidating the financial statements of subsidiaries	266	45	310
Consolidation reserve	107	0	107
Elimination of dividends	-	0	0
Translation difference	(178)	-	(178)
Equity and profit (loss) for the year	**12,452**	**884**	**13,336**
Equity and profit (loss) for the year attributable to non-controlling interests	-	-	-
Group equity and profit (loss) for the year	**12,452**	**884**	**13,336**

Changes in consolidated equity in the period are shown below:

Amounts in Euro

	Share capital	Reserves	Retained earnings	Profit for the year	Total Group	Reserves non-controlling interests	Profit (loss) non-controlling interests	Total non-controlling interests	Total
31/12/2022	5,478,981	4,262,177	208,122	2,592,545	**12,541,825**	0	0	**0**	**12,541,825**
Allocation of the result	0	115,924	2,476,621	(2,592,545)	**0**	0	0	0	0
Other changes	0	(81,413)	(8,474)		**(89,887)**	0	0	0	(89,887)
Dividends distributed	0	0	0	0	**0**	0	0	0	0
Comprehensive profit/(loss)	0	0	0	884,158	**884,158**	0	0	0	884,158
30/06/2023	**5,478,981**	**4,296,688**	**2,676,269**	**884,158**	**13,336,095**	**0**	**0**	**0**	**13,336,095**

It should be noted that the item "Other changes" is attributable to the translation reserve.

17 Financial payables

“Financial payables” at June 30, 2023 totaled €10,983 thousand (€11,492 thousand at December 31, 2022). Financial payables are composed as follows and refer exclusively to the Matica Fintec entity:

Amounts in Euro thousands

	Non-current	**Current**	**30/6/23**
Payables to banks	(7,849)	(2,959)	(10,808)
Lease liabilities IFRS 16	(175)	-	(175)
Total	**(8,024)**	**(2,959)**	**(10,983)**

Financial payables at December 31, 2022 were composed as follows:

Amounts in Euro thousands

	Non-current	**Current**	**31/12/22**
Payables to banks	(9.174)	(2,221)	(11,395)
Lease liabilities IFRS 16	(96)	-	(96)
Total	**9.271**	**(2,221)**	**(11,492)**

Details of outstanding loans are as follows:

Amounts in Euro thousands

Bank	Amount of loan	Term		Interest rate	Outstanding debt at 30/06/2023		
		Start	End		Current	Non-Current	Total
Banca del Fucino	1,000	24/05/2021	31/03/2027	Floating rate	200	550	750
Valsabbina	1,000	31/12/2019	31/10/2026	2.25% fixed annual nominal	191	493	684
Banca Finnat (Basket Bond)	4,000	21/10/2021	21/10/2028	Floating rate	613	2,982	3,595
Banca Intesa (Cash Overdraft - Finimport/export	1,250			Floating rate	700	-	700
Sace Simest	700	30/12/2020	31/12/2026	0.65% fixed annual nominal	160	420	580
Banca Intesa	4,500	15/09/2020	15/09/2026	Floating rate	1,095	3,405	4,500
Total bank loans	**12,450**				**2,958**	**7,850**	**10,808**

The SACE SIMEST loan obtained in 2020 intended for the capitalization of exporting companies, consisted of the granting of a maximum of €800 thousand, of which €100 thousand non-repayable and the remainder at a subsidized rate of 0.65%; this loan was discounted at a market rate and the discounting component (€78 thousand) was accounted for in an equity reserve along with the non-repayable portion.

In October 2021, the issuance was completed, as part of a broader structured financing transaction in the form of a so-called "basket bond", of a non-convertible bond, pursuant to Article 2410 of the Civil Code, for a nominal amount of €4 million and a term of 7 years, which was underwritten by a securitization vehicle, established pursuant to Law No. 130 of April 30, 1999, which in turn financed itself by issuing asset-backed securities aimed at major qualified investors.

In May 2021, the company obtained a loan from Banca del Fucino totaling €1 million and maturing in 2027.

18 Provision for other employee benefits

Defined contribution plans

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

Contributions payable at the balance sheet date are included under "Other current liabilities"; the cost for the period accrues on the basis of the service rendered by the employee and is recognized under "Personnel expense" in the relevant area.

Defined benefit plans

Employee benefit plans, which can be regarded as defined benefit plans, are represented by post-employment benefits (TFR); instead, the liability is determined on an actuarial basis using the "projected unit credit" method. Actuarial gains and losses determined in the calculation of these items, as of this year, recognized are shown in a specific equity reserve, whereas in the previous year they were recognized in the income statement.

“Provisions for other employee benefits" at June 30, 2023 amounted to €339 thousand (€282 thousand at December 31, 2022) and consisted of the following:

Amounts in Euro thousands

	30/6/23	**31/12/22**
Provision for post-employment benefits	(389)	(332)
Post-employment benefit reserve IAS19 adjustment	50	50
Total	**(339)**	**(282)**

The component of "provision for employee benefit costs”, "contribution/benefits paid" are recorded in the income statement under "Personnel expense" in the relevant area. The “financial expense/(income)” component is recognized in the income statement under "Financial income (expense)”, while the “actuarial gain/(loss)” component is shown in an Equity Reserve called "Actuarial gain/loss reserve”.

19 Deferred tax liabilities and tax provisions

Deferred tax liabilities at June 30, 2023 are recorded in connection with the following temporary differences and are attributable exclusively to the Parent Company:

Amounts in Euro thousands

Description	**Taxable**	**Rate**	**30/6/23**
Unrealized exchange gains	47	24.00%	11
Post-employment benefits	42	24.00%	10
Total			**21**

Deferred tax liabilities at December 31, 2022 are recorded in connection with the following temporary differences:

Amounts in Euro thousands

Description	**Taxable**	**Rate**	**31/12/22**
Unrealized exchange gains	15	24.00%	4
Post-employment benefits	42	24.00%	10
Total			**14**

20 Tax payables

Current and non-current "Tax payables" at June 30, 2023 totaled €1,100 thousand (€1,476 thousand at December 31, 2022).

Current and non-current tax payables are composed as follows:

Amounts in Euro thousands

	Non-current	Current	30/6/23	31/12/22
IRES	-	(693)	(693)	(693)
IRAP	-	(167)	(167)	(167)
Withholdings	(69)	(170)	(240)	(240)
VAT	-	(0)	(0)	(0)
Total	**(69)**	**(1,031)**	**(1,100)**	**(1,100)**

Tax payables at December 31, 2022 were as follows:

Amounts in Euro thousands

	Non-current	Current	31/12/22
IRES	-	(687)	(687)
IRAP	-	(94)	(94)
Withholdings	(95)	(314)	(409)
VAT	-	(286)	(286)
Total	**(95)**	**(1,381)**	**(1,476)**

21 Other liabilities

Current and non-current "Other liabilities" at June 30, 2023 amounted to €3,125 thousand (€2,845 thousand at December 31, 2022) and consisted of the following:

Amounts in Euro thousands

	Non-current	Current	30/6/23	31/12/22
Payables to employees	-	(545)	(545)	(545)
Payables to social security institutions	-	(182)	(182)	(182)
Advances	-	(1,063)	(1,063)	(1,063)
Payables to directors	-	(147)	(147)	(147)
Accrued expense and deferred income	-	(483)	(483)	(483)
Other payables	(22)	(683)	(705)	(705)
Total	**(22)**	**(3,103)**	**(3,125)**	**(3,125)**

Other liabilities at December 31, 2022 were composed as follows:

Amounts in Euro thousands

	Non-current	Current	31/12/22
Payables to employees	-	(425)	(425)
Payables to social security institutions	-	(220)	(220)
Advances	-	(848)	(848)
Payables to directors	-	(294)	(294)
Accrued expense and deferred income	-	(328)	(328)
Other payables	(4)	(726)	(730)
Total	**(4)**	**(2,840)**	**(2,845)**

22 Trade and other payables

"Trade and other payables" at June 30, 2023 amounted to €2,468 thousand (€2,393 thousand at December 31, 2022).

The item is broken down as follows:

Amounts in Euro thousands

	30/6/23	31/12/22
Non-controlling interests	(2,133)	(2,115)
Parents	(21)	(9)
Affiliates	(314)	(270)
Subsidiaries	-	-
Total	**(2,468)**	**(2,393)**

The item includes the balance of payables to suppliers net of credit notes receivable and trade discounts.

23 Revenue from sales and other income

"Revenue from sales" at June 30, 2023 amounted to €11,438 thousand (€19,486 thousand at December 31, 2022) and is shown net of returns, discounts and rebates.

Revenue from sales is made up as follows:

Amounts in Euro thousands

	30/6/23	31/12/22
Provision of services	(1,219)	(1,466)
Disposal of machinery	(6,815)	(13,389)
Disposal of consumables	(1,587)	(2,167)
Disposal of spare parts	(1,818)	(2,465)
Total	**(11,438)**	**(19,486)**

The breakdown of revenue by geographical area at June 30, 2023 and at December 31, 2022 is as follows:

	30/6/23	31/12/22
Europe	1986	5,166
Asia	1743	2,588
South America	2257	4,407
USA	1041	1,513
Africa	1223	1,928
United Arab Emirates	811	897
Other Middle East	293	740
EMEA	577	389
Italy	125	607
India	1032	1,063
Canada	-	185
China	349	5
Total	**11,437**	**19,486**

Other income, amounting to €188 thousand at June 30, 2023 (€324 thousand at December 31, 2022), mainly includes income from ancillary operations, including the tax credit for research and development for €148 thousand related to the Parent Company and contingent assets for approximately €34 thousand.

24 Purchase costs

"Purchase costs" at June 30, 2023 amounted to €4,321 thousand (€7,408 thousand at December 31, 2022).

They include purchases of goods and finished goods and are shown net of discounts and rebates. The detail is shown in the table below:

Amounts in Euro thousands

	30/6/23	31/12/22
Purchases of finished products and goods	4,193	7,320
Subcontracted work	96	84
Other	32	4
Total	**4,321**	**7,408**

25 Other operating costs

"Other operating costs" at June 30, 2023 amounted to €3,203 thousand (€4,790 thousand at December 31, 2022).

They include costs for services, lease and rental costs, and sundry operating expense as detailed below:

Amounts in Euro thousands

	30/6/23	31/12/22
Service costs	2,677	4,071
Rentals and leases	160	287
Sundry operating expense	366	433
Total	**3,203**	**4,790**

The Group's service costs are detailed in the table below:

Amounts in Euro thousands

	30/6/23	31/12/22
Consultancy	988	1,745
Fees to Directors and Statutory Auditors	599	1,064
Royalties	284	0
Advertising and marketing	73	252
Travel expense	62	84
Transportation and customs costs	206	328
Fees	78	0
Insurance	73	58
Entertainment expense	14	20
IT expense	83	74
Motor vehicle expense	30	53
Utilities	37	77
Maintenance	16	38
Certifications	8	9
Other administrative expense	65	103
Other general expense	62	166
Total	**2,677**	**4,071**

Lease and rental costs mainly relate to office buildings located in Galliate, where the Company transferred its operational offices in 2017; the lease agreement does not fall within the scope of IFRS 16 - Leases.

Sundry operating expense refers mostly to the Parent Company and includes mainly contingent liabilities (€254 thousand) and penalties (€25 thousand).

26 Personnel expense

“Personnel expense” at June 30, 2023 amounted to €2,608 thousand (€3,925 thousand at December 31, 2022).

The item is broken down as follows:

Amounts in Euro thousands

	30/6/23	31/12/22
Wages and salaries	1,670	2,405
Social security expense	350	604
Post-employment benefits	78	177
Retirement benefits and the like	42	50
Other costs	469	690
Total	**2,608**	**3,925**

The average number of employees by category is as follows:

Employees	30/06/2023	31/12/2022
Executives	6	6
White collars	45	40
Blue collars	25	25
Total average number	**76**	**71**

27 Provisions for risks

No provisions were set aside in first half 2023.

28 Write-backs/Write-downs

At June 30, 2023, the item amounted to €2 thousand (€164 thousand at December 31, 2022) and included the provision for bad debts of the Matica Fintec entity.

29 Financial income and expense

“Financial income and expense” at June 30, 2023 amounted to €305 thousand (€476 thousand at December 31, 2022). Financial income and expense is made up as follows:

Amounts in Euro thousands

		30/6/23		31.12.22
Exchange rate gains	-	78		145
Interest on intercompany loans	-	16		16
Interest income on current accounts	-	26		5
Total financial income		**(120)**		**166**
Bank interest expense		306	-	463
Other financial expense		5	-	25
Exchange rate losses		114	-	152
Total financial expense		**425**		**(641)**

30 Tax

"Tax" at June 30, 2023 amounted to €355 thousand (€937 thousand at December 31, 2022).

Tax at June 30, 2023 and December 31, 2022 is detailed as follows:

Amounts in Euro thousands	30/6/23	31/12/22
Extra-EU tax	(2)	(3)
IRES	(182)	(828)
IRAP	(107)	(217)
Total current tax	**(291)**	**(1,048)**
Deferred tax assets	(57)	123
Deferred tax liabilities	(8)	(12)
Total deferred tax liabilit -	**65**	**111**
Total tax	**(355)**	**(937)**

See Note 10 and Note 19 for details on the origin of deferred tax assets and liabilities.

The reconciliation statement between theoretical and actual rates is shown below.

Amounts in Euro thousands	**30/06/2023**	**31/12/2022**
Profit (loss) for the year before tax	1,239	3,530
A Total taxable	**1,239**	**3,530**
B Theoretical tax	346	985
Main reasons that give rise to differences between theoretical and actual tax rates		
- ACE benefit	(117)	(87)
- Utilization of tax losses		
- Net permanent differences	16	39
C Actual tax	**245**	**937**
Theoretical tax rate (B/A)	28%	28%
Actual tax rate (C/A)	20%	27%

31 Earnings per share

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

	30/06/2023	31/12/2022
Profit (loss) for the year	884,158	2,592,545
Number of ordinary shares net of treasury shares	10,938,162	10,619,779
Basic earnings per share	**0.0808**	**0.2441**
Weighted average number of ordinary shares to calculate diluted earnings per share	10,938,162	10,619,769
Diluted earnings per share	**0.0808**	**0.2441**

Earnings per share refer to the net result divided by the weighted average number of outstanding shares in the reporting period, net of treasury shares. Diluted earnings per share are calculated by taking into account the number of outstanding shares and the potential dilutive effect from the exercise of warrants in the 2020-2022 period. It should be noted that on November 30, 2022, the window for the possible exercise of warrants related to the Parent Company closed. Therefore, at both June 30, 2023 and December 31, 2022, basic earnings were in line with diluted earnings.

32 Related party transactions

Transactions with related parties mainly regard the exchange of goods, provision of services, and the provision and use of financial resources with its subsidiaries and other Group companies and are part of the normal course of business of Group companies and are concluded at normal market conditions. These transactions are governed by special contracts. For the purpose of identifying and presenting related parties, reference has been made to the definition of "related party" under IAS 24. While these are transactions concluded at normal market conditions, the following are the transactions of significant amounts with related parties divided between financial and commercial; for further details, reference is made to the specific sections of these notes.

Below are details of the balances at June 30, 2023 of the above transactions by counterparty:

Amounts in Euro thousands	**DISO**	**Matica Technologies GROUP SA**	**Matica Technologies GROUP SA IB**	**Matica Corp**	**Matica Corp India**	**Matica Technologies Beijing**	**Javelin**	**Matica Technologies FZE**	**Balance at 30.06.2023**
Trade receivables	-	262	-	1,004	16	-	6	99	**1,386**
Invoices to issue	-	-	-	-	-	-	-	-	**-**
Other receivables	103	81	4	6	-	2	-	2	**197**
Trade payables	-	-	(21)	-	-	-	-	(4)	**(25)**
Other payables	-	-	-	-	-	-	-	-	**-**
Advances	-	-	-	-	-	-	-	-	**-**
Invoices to receive	-	(312)	-	-	-	-	-	-	**312**
Loans	-	1,000	-	-	-	-	-	-	**1,000**
Total capital items	**103**	**1,031**	**(17)**	**1,010**	**16**	**2**	**6**	**96**	**2,247**
Sales	-	6	-	663	16	-	6	97	**787**
Other revenue	7	15	-	39	-	-	0	1	**63**
Interest on loans	-	16	-	-	-	-	-	-	**16**
Purchase costs	-	-	(101)	-	-	-	-	-	**(101)**
Other costs	(7)	(48)	-	(33)	-	-	(0)	(1)	**(90)**
Royalties		(284)							**(284)**
Management fee	-	(119)	-	-	-	-	-	-	**(119)**
Personnel expense	-	-	-	(23)	-	-	-	-	**(23)**
Total income items	**-**	**(414)**	**(101)**	**645**	**16**	**-**	**6**	**97**	**250**

33 Atypical and unusual transactions

During the period, the Group did not carry out any atypical or unusual transactions, as set out by the Communication itself, which defines atypical and/or unusual transactions as transactions which, by significance/relevance, nature of the counterparties, object of the transaction, transfer pricing method and timing of the event, may give rise to doubts regarding: the accuracy/completeness of the information in the financial statements, conflicts of interest, safeguarding of company assets, and the protection of non-controlling interests.

34 Fees to corporate bodies

In first half 2023, the following fees were paid:

- Governing Body (Parent Company): €388 thousand (in addition to TFM settled for €125 thousand);
- Governing body (subsidiaries): they do not receive fees
- Board of Statutory Auditors (Parent Company): €15 thousand;
- Independent Auditors (Parent Company):
    - Other audit services: €6 thousand for the voluntary audit of the Parent Company's half-year consolidated financial statements.

35 Government grants

In first half 2023, the Parent Company benefited from the following government grants:

- Research, development and technological innovation credit related to 2022 under Law 160/2019: €148 thousand;
- Tax credits for electricity purchase - non-energy-intensive companies, for the first and second quarter of 2023: €12 thousand.

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CONSOLIDATED HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2023

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.
Tax code, VAT number and
Company Register of Milan Monza Brianza Lodi no. 10354300013
R.E.A. No. MI-2540487

* * *

DIRECTORS' CONSOLIDATED REPORT ON OPERATIONS

IN FIRST HALF 2023

Shareholders,

This consolidated half-year financial report for the period ended June 30, 2023 was prepared in accordance with IAS/IFRS.

The consolidation scope includes the results for the first six months of 2023 of Matica Fintec S.p.A. ("Parent Company") and the results of the two companies acquired on July 14, 2022 from the Japanese group AI Holdings Corporation, CTC (Card Technologies Corp) and UBIQ (NBS Technologies (US) Inc.) (the "Group"). On January 1, 2023, the two companies were merged into a single entity named UbiQ Software Inc. realigning the year to that of the Parent Company. For further details, see the press release issued on July 14, 2022.

The statement of comprehensive income figures contained in this Directors' Report on Operations at June 30, 2023 are not compared with the corresponding figures for the prior period, but are compared with the annual consolidated figures at December 31, 2022, since the parent company was not required to prepare such a document at June 30, 2022, and therefore the figures are not available in the required form. However, in the paragraph "Operating and Financial Performance of the Parent Company" of this Directors' Report, a comparison is provided between the figures at June 30, 2023 and the comparative figures at December 31, 2022 and at June 30, 2022 taken from the separate financial statements of the Parent Company.

Operations and business development

The Group engages in the development, production, and marketing of security document issuance systems (driver's licenses, passports, ID cards and financial cards) and related Software (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 the period at June 30, 2023 with revenue amounting to €/000 11,438 (€/000 19,486 at December 31, 2022).

In first half 2023, the Group recorded an EBITDA of €/000 2,056 (approximately 18% of sales at June 30, 2023) versus €/000 4,970 in 2022 (approximately 26% of sales in 2022).

EBIT at June 30, 2023 stood at €/000 1,614 (€/000 3,891 at December 31, 2022).

The period ended June 30, 2023 closed with a Group profit of €/000 884 (€/000 2,593 at December 31, 2022).

Reclassified consolidated income statement at June 30, 2023

Income statement	30/06/2023	31/12/2022
(Figures in Euro Thousands)		
Revenue and income	11,438	19,486
Other revenue and income	0	30
Change in WIP and PF inventory	-	-
Capitalization of work on time and materials basis	381	705
Other write-downs and utilizations	-	-
Revenue	**11,819**	**20,222**
COGS (Incl. change in inventory)	(4,209)	(6,716)
Gross margin	**7,610**	**13,506**
Services	(2,677)	(4,071)
Personnel	(2,608)	(3,925)
Rent and facility expense	(160)	(287)
Sundry operating expense	(109)	(253)
EBITDA	**2,056**	**4,970**
Amortization, depreciation and provisions	(443)	(1,079)
EBIT	**1,614**	**3,891**
Financial income/(expense)	(306)	(493)
Extraordinary income/(expense)	(68)	131
EBT	**1,239**	**3,530**
Tax	(355)	(937)
Profit (loss) for the year	**884**	**2,593**

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

Reclassified consolidated statement of financial position at June 30, 2023

Amounts in Euro thousands	30/06/2023	31/12/2022
Net intangible fixed assets	7,007	6,780
Net tangible fixed assets	440	379
Investments and other financial fixed assets	930	1,085
Fixed Capital	**8,377**	**8,244**
Inventory	4,722	4,652
Receivables from Customers and Other Receivables	6,077	4,880
Tax receivables and deferred tax assets	210	131
Non fixed financial assets	-	-
Accrued income and prepaid expense	252	294
Current operating assets	**11,261**	**9,956**
Payables to suppliers	(2,468)	(2,393)
Tax payables and deferred tax	(1,031)	(1,381)
Other payables	(3,200)	(2,938)
Current operating liabilities	**(6,699)**	**(6,712)**
Net working capital for the year	**4,562**	**3,244**
Post-employment benefits	(339)	(282)
Other medium- and long-term liabilities	(113)	(113)
Medium- and long-term liabilities	**(452)**	**(395)**

Net capital employed	**12,487**	**11,093**
Equity	13,336	12,542
Short-term net financial position	(8,777)	(10,622)
M/L-term net financial position	7,927	9,174
Equity and net financial debt	**12,487**	**11,093**

Consolidated net financial debt at June 30, 2023

Consolidated adjusted net financial debt at June 30, 2023 was cash positive at €/000 933 (€/000 811 at December 31, 2022).

Figures in Euro Thousands	**30/06/2023**	**31/12/2022**
A. Cash	11,505	12,612
B. Cash equivalents	-	-
C. Other current financial assets	429	232
D. Liquidity (A + B + C)	**11,933**	**12,844**
E. Current financial debt	700	700
F. Current portion of non-current financial debt	2,259	1,521
G. Current financial debt (E + F)	**2,959**	**2,221**
H. Net current financial debt (G - D)	**(8,974)**	**(10,623)**
I. Non-current financial debt	4,868	5,871
J. Debt instruments	2,982	3,303
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I + J + K)	**7,849**	**9,174**
M. Total financial debt (H + L)	**(1,125)**	**(1,448)**
N. Past due tax payables	131	556
O. Past due social security payables	61	81
P. PAST DUE SOCIAL SECURITY TAX PAYABLES (N) + (O)	**192**	**638**
Q. Adjusted financial debt (M) + (P)	**(933)**	**(811)**

Consolidated income and financial indicators at June 30, 2023

The main consolidated income and financial indicators are shown below:

FIXED ASSET FINANCING INDICATORS		**30/06/2023**	**31/12/2022**
Equity less fixed assets margin	*Equity – Fixed assets*	5,889	5,383
Equity less fixed assets ratio	*Equity / Fixed assets*	1.79	1.75
Equity plus non-current liabilities less fixed assets margin	*(Equity + Consolidated liabilities) - Fixed assets*	6,250	5,668
Equity plus non-current liabilities less fixed assets ratio	*(Equity + Consolidated liabilities) / Fixed assets*	1.84	1.79

INDEXES ON THE STRUCTURE OF FINANCING		**30/06/2023**	**31/12/2022**
Total debt ratio	*(Pml + Pc) / Equity*	0.52	0.55

Financing debt ratio	*Financing Liabilities/Equity*	0.81	0.91

PROFITABILITY INDEXES		**30/06/2023**	**31/12/2022**
Net ROE	*Net result/Average equity*	7%	21%
Gross ROE	*Gross result/Average equity*	9%	28%
ROI	*Operating result/(Average CIO - Average operating liabilities)*	13%	39%
EBITDA on Revenue	*Gross Operating Margin/Revenue*	18%	26%
ROS	*Operating result/Revenue from sales*	14%	21%

SOLVENCY INDICATORS		**30/06/2023**	**31/12/2022**
Current assets less current liabilities margin	*Current Assets - Current Liabilities*	4,890	3,572
Current assets less current liabilities ratio	*Current Assets / Current Liabilities*	1.74	1.54
Treasury margin	*(Deferred cash + Immediate cash) - Current liabilities*	5,331	6,228
Treasury ratio	*(Deferred cash + Immediate cash) / Current liabilities*	1.81	1.94

Operating and Financial Performance of the Parent Company

On the operations front, the Parent Company ended first half 2023 with revenue of €/000 9,517 (€/000 8,344 at June 30, 2022).

In first half 2023, the Parent Company's EBITDA stood at €/000 1,998 (approximately 21% of sales in first half 2023) versus €/000 2,340 in the same period of 2022 (approximately 23% of sales in first half 2022).

EBIT in first half 2023 stood at €/000 1,565 versus €/000 1,942 in the same period of 2022.

First half 2023 closed with a profit of €/000 840 versus a profit of €/000 1,207 in the same period of the prior year.

Reclassified income statement of the parent company at June 30, 2023 and at June 30, 2022

Income statement (Figures in Euro Thousands)	**30/06/2023**	**30/06/2022**
Revenue and income	9,517	8,344
Other revenue and income	-	-

Change in WIP and PF inventory	-	-
Capitalization of work on time and materials basis	381	430
Other write-downs and utilizations	-	-
Revenue	**9,898**	**8,775**
COGS (Incl. change in inventory)	(3,495)	(3,393)
Gross margin	**6,403**	**5,381**
Services	(2,221)	(1,185)
Personnel	(1,946)	(1,682)
Rent and facility expense	(129)	(144)
Sundry operating expense	(109)	(29)
EBITDA	**1,998**	**2,340**
Amortization, depreciation and provisions	(432)	(398)
EBIT	**1,565**	**1,942**
Financial income/(expense)	(305)	(201)
Extraordinary income/(expense)	(68)	5
EBT	**1,193**	**1,746**
Tax	(353)	(539)
Profit (loss) for the year	**840**	**1,207**

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

Reclassified statement of financial position of the parent company at June 30, 2023

Amounts in Euro thousands	**30/06/2023**	**31/12/2022**
Net intangible fixed assets	5,774	5,595
Net tangible fixed assets	424	352
Investments and other financial fixed assets	3,514	3,661
Fixed Capital	**9,712**	**9,608**
Inventory	3,911	3,800
Receivables from Customers and Other Receivables	5,027	4,309
Tax receivables and deferred tax assets	210	131
Non fixed financial assets	-	-
Accrued income and prepaid expense	219	225
Current operating assets	**9,367**	**8,465**
Payables to suppliers	(2,034)	(2,083)
Tax payables and deferred tax	(1,031)	(1,381)
Other payables	(2,077)	(1,921)
Current operating liabilities	**(5,141)**	**(5,385)**
Net working capital for the year	**4,226**	**3,080**
Post-employment benefits	(339)	(282)
Other medium- and long-term liabilities	(91)	(113)
Medium- and long-term liabilities	**(430)**	**(395)**
Net capital employed	**13,508**	**12,293**
Equity	13,097	12,258
Short-term net financial position	(7,516)	(9,138)
M/L-term net financial position	7,927	9,174
Equity and net financial debt	**13,508**	**12,293**

Net financial debt of the parent company at June 30, 2023 and at December 31, 2022

The adjusted net financial debt of the parent company in first half 2023 was a cash negative €/000 327 (cash negative €/000 674 in 2022), with a change of €/000 347 versus the prior year.

Figures in Euro Thousands	**30/06/2023**	**31/12/2022**
A. Cash	10,244	11,128
B. Cash equivalents	-	-
C. Other current financial assets	429	232
D. Liquidity (A + B + C)	**10,673**	**11,359**
E. Current financial debt	700	700
F. Current portion of non-current financial debt	2,259	1,521
G. Current financial debt (E + F)	**2,959**	**2,221**
H. Net current financial debt (G - D)	**(7,714)**	**(9,138)**
I. Non-current financial debt	4,868	5,871
J. Debt instruments	2,982	3,303
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I + J + K)	**7,849**	**9,174**
M. Total financial debt (H + L)	**135**	**36**
N. Past due tax payables	131	556
O. Past due social security payables	61	81
P. PAST DUE SOCIAL SECURITY TAX PAYABLES (N) + (O)	**192**	**638**
Q. Adjusted financial debt (M) + (P)	**327**	**674**

Income and financial indicators of the parent company at June 30, 2023 and December 31, 2022

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

FIXED ASSET FINANCING INDICATORS		**30/06/2023**	**31/12/2022**
Equity less fixed assets margin	*Equity – Fixed assets*	4,315	3,726
Equity less fixed assets ratio	*Equity / Fixed assets*	1.49	1.44
Equity plus non-current liabilities less fixed assets margin	*(Equity + Consolidated liabilities) - Fixed assets*	4,654	4,012
Equity plus non-current liabilities less fixed assets ratio	*(Equity + Consolidated liabilities) / Fixed assets*	1.53	1.47

INDEXES ON THE STRUCTURE OF FINANCING		**30/06/2023**	**31/12/2022**
Total debt ratio	*(Pml + Pc) / Equity*	0.41	0.45
Financing debt ratio	*Financing Liabilities/Equity*	0.83	0.93

PROFITABILITY INDEXES		**30/06/2023**	**30/06/2022**
Net ROE	*Net result/Average equity*	6%	13%
Gross ROE	*Gross result/Average equity*	9%	18%

ROI	*Operating result/(Average CIO - Average operating liabilities)*	12%	20%
EBITDA on Revenue	*Gross Operating Margin/Revenue*	21%	28%
ROS	*Operating result/Revenue from sales*	16%	20%

SOLVENCY INDICATORS		**30/06/2023**	**31/12/2022**
Current assets less current liabilities margin	*Current Assets - Current Liabilities*	4,554	3,408
Current assets less current liabilities ratio	*Current Assets / Current Liabilities*	1.90	1.64
Treasury margin	*(Deferred cash + Immediate cash) - Current liabilities*	5,629	6,071
Treasury ratio	*(Deferred cash + Immediate cash) / Current liabilities*	2.12	2.15

Research & Development

During the year, the Parent Company conducted research and development initiatives, continuing multiple projects to enhance the security of personalized cards, to increase the productivity of its solutions, and to develop technological solutions for customizing cards on different materials. Conversely, the subsidiary's research and development activities primarily concentrated on two aspects: the programming of the latest generation of financial card chips and devising a new front-end version to facilitate customer interaction with the financial card issuing program ("Xpressi”). The Group consistently aims to understand and anticipate market and customer demands by developing solutions that adapt to shifting needs and capitalize on continuous technological advancements, whether mechanical, electronic, software, or related to the potential integration of technologies from sectors outside the target market. The Parent Company undertook both industrial and experimental research, engaging in multiple projects that, to date, 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
DISO	103,116	-	-	-	-	(7,126)	7,126	-
Total	**103,116**	-	-	-	-	**(7,126)**	7,126	-

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 Technologies Group SA	1,080,943	262,331	-	(311,823)	-	(450,775)	20,993	16,250
Matica Technologies Group SA IB	3,542	-	(20,713)	-	-	(100,594)	-	-
Matica Corp	6,327	1,003,588	-	-	-	(56,478)	701,894	-
Javelin	-	5,943	-	-	-	(200)	5,943	-
Matica Corp India	-	16,000	-	-	-	(16,843)	16,000	-
Matica Technologies FZE	-	100,426	(4,377)	-	-	(1,323)	98,505	-
Matica Technologies Beijing	-	1,630	-	-		-	-	-
Total	**1,090,812**	**1,389,918**	**(25,090)**	**(311,823)**	-	**(609,369)**	**843,335**	**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 June 30, 2023, the Parent Company held a total of 19,800 treasury shares, equal to 0.181% of the share capital.

Significant events after the six months

It should be noted that on July 21, 2023, the Parent Company announced a change of the disclosure of consolidated half-year financial results at June 30, 2023 on August 3, 2023, and not on September 27, 2023 as previously announced (see press release of January 30, 2023).

Implementation continues on the Leg. Decr. 231 model for the Parent Company, adopted on October 14, 2020, with the updating of the Organizational Model pursuant to Legislative Decree 231/2001 to the regulations introduced by Legislative Decree 184/2021 and Law No. 22/2022. Staff training continues, with attendance of all employees and active engagement of the heads of the company's top-level departments by the Supervisory Board, and the implementation of the drafted procedures, as well as the implementation, by the time limit of December 17, 2023, of the provisions of Legislative Decree 24/2023 on Whistleblowing.

Business outlook of the Group

In light of the uncertainty brought by the persisting shortage of critical components (e.g., electronic components), the income and financial impacts on the Group'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.

Liquidity risk

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 June 30, 2023, 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.

<u>Exchange risk</u>

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	30/06/2023	31/12/2022
Executives	6	6
White collars	45	40
Blue collars	25	25
Total average number	**76**	**71**

Milan, August 3, 2023

The Chairman of the Board of Directors

(Sandro Camilleri)

Nexia Audirevi Audit & Assurance

Matica Fintec S.p.A.

Relazione di revisione contabile limitata sul bilancio consolidato intermedio al 30 giugno 2023

Nexia Audirevi Audit & Assurance

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Relazione di revisione contabile limitata sul bilancio consolidato intermedio al 30 giugno 2023

Agli Azionisti della

Matica Fintec S.p.A.

Introduzione

Abbiamo svolto la revisione contabile limitata dell'allegato bilancio consolidato intermedio costituito dal prospetto della situazione patrimoniale-finanziaria consolidata, dal conto economico complessivo consolidato, dal rendiconto finanziario consolidato, dal prospetto delle variazioni di patrimonio netto e dalle relative note esplicative al bilancio consolidato della Matica Fintec S.p.A. e della società controllata ("Gruppo Matica Fintec") al 30 giugno 2023.

Gli Amministratori sono responsabili per la redazione del bilancio consolidato intermedio in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea. È nostra la responsabilità di esprimere una conclusione sul bilancio consolidato intermedio sulla base della revisione contabile limitata svolta.

Portata della revisione contabile limitata

Il nostro lavoro è stato svolto in conformità all'International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". La revisione contabile limitata del bilancio consolidato intermedio consiste nell'effettuare colloqui, prevalentemente con il personale della società responsabile degli aspetti finanziari e contabili, analisi di bilancio ed altre procedure di revisione contabile limitata. La portata di una revisione contabile limitata è sostanzialmente inferiore rispetto a quella di una revisione contabile completa svolta in conformità agli International Standards on Auditing (ISA Italia) e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti significativi che potrebbero essere identificati con lo svolgimento di una revisione contabile completa. Pertanto, non esprimiamo un giudizio sul bilancio consolidato intermedio al 30 giugno 2023.

Conclusioni

Sulla base della revisione contabile limitata svolta, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che l'allegato bilancio consolidato intermedio del Gruppo Matica Fintec al 30 giugno 2023, non sia redatto, in tutti gli aspetti significativi, in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea.

Altri aspetti

I dati del conto economico complessivo consolidato contenuti nella Relazione finanziaria al 30 giugno 2023 non sono comparati con quelli analoghi del periodo precedente, ma sono comparati con i dati consolidati annuali al 31 dicembre 2022, in quanto la capogruppo non era tenuta alla predisposizione di tale documento al 30 giugno 2022 e pertanto i dati non sono disponibili nella forma richiesta.

Milano, 3 agosto 2023

Audirevi S.p.A.

Alfonso Laratta

(Socio)