



***DIRECTORS' REPORT ON OPERATIONS TO THE CONSOLIDATED
AND SEPARATE FINANCIAL STATEMENTS
AT DECEMBER 31, 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

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* * *

DIRECTORS' REPORT ON SEPARATE AND CONSOLIDATED OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2023

Shareholders,

the consolidated financial statements and separate financial statements for the year ended December 31, 2023 were prepared in accordance with IAS/IFRS.

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

The consolidation scope includes the results for 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., the only subsidiary as of the date of its preparation, realigning the year to that of the Parent Company. For further details, see the press release issued on July 14, 2022.

The consolidated figures of the Group contained in this Directors' Report on Operations at December 31, 2023 are compared with the annual consolidated figures at December 31, 2022, the first year of preparation of the consolidated financial statements.

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

Operations and business development

The Group engages in the development, production, and marketing of security document issuance systems (driver's licenses, passports, ID cards and financial cards) and related Software; 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 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.

The registered office of the subsidiary UBIQ Software Inc. is at W. Old Shakopee Road 5775, Suite 160, Bloomington MN (USA).

Group operating and financial performance

On the operations front, the Group ended the period at December 31, 2023 with revenue amounting to €/000 22,590 (€/000 19,486 at December 31, 2022).

At December 31, 2023 the Group recorded an EBITDA of €/000 4,484 (approximately 20% of sales at December 31, 2023) versus €/000 4,970 in 2022 (approximately 26% of sales in 2022).

EBIT at December 31, 2023 stood at €/000 3,616 (€/000 3,891 at December 31, 2022).

The year ended December 31, 2023 closed with a Group profit of €/000 2,197 (€/000 2,513 at December 31, 2022).

Mention should be made that the consolidated figures at December 31, 2022 presented for comparative purposes have been partly changed from those approved last year, as required by IFRS 3, as a result of the final allocation of goodwill, transposed retroactively following the Purchase Price Allocation ("PPA") process. Specifically, in the Income Statement, amortization and depreciation and tax have been revised, while on the balance sheet, changes in intangible fixed assets and m/l term liabilities have been incorporated. For further information, please refer to the Notes to the Consolidated Financial Statements.

Reclassified consolidated income statement at December 31, 2023

Income statement	31/12/2023	31/12/2022
<i>(Figures in Euro Thousands)</i>		
Revenue and income	22.590	19.486
Other revenue and income	23	30
Change in WIP and PF inventory	-	-
Capitalization of work on time and materials ba	702	705
Other write-downs and utilizations	-	-
Revenue	23.315	20.222
COGS (Incl. change in inventory)	(8.218)	(6.716)
Gross margin	15.097	13.506
Services	(5.057)	(4.071)
Personnel	(5.041)	(3.925)
Rent and facility expense	(467)	(287)
Sundry operating expense	(48)	(253)
EBITDA	4.484	4.970
Amortization, depreciation and provisions	(868)	(1.180)
EBIT	3.616	3.791
Financial income/(expense)	(600)	(493)
Extraordinary income/(expense)	(69)	131
EBT	2.947	3.429
Tax	(750)	(916)
Profit (loss) for the year	2.197	2.513

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

Reclassified consolidated statement of financial position at 31 December 2023

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

<i>Amounts in Euro thousands</i>	31/12/2023	31/12/2022
Net intangible fixed assets	7.282	6.891
Net tangible fixed assets	464	379
Investments and other financial fixed assets	871	1.085
Fixed Capital	8.616	8.354
Inventory	4.920	4.652
Receivables from Customers and Other Receivables	4.188	4.880
Tax receivables and deferred tax assets	535	131
Non-current Financial assets	-	-
Accrued income and prepaid expense	289	294
Current operating assets	9.932	9.956
Payables to suppliers	(2.528)	(2.393)
Tax payables and deferred tax	(295)	(1.381)
Other payables	(2.448)	(2.938)
Current operating liabilities	(5.271)	(6.712)
Net working capital for the year	4.661	3.244
Post-employment benefits	(334)	(282)
Other medium- and long-term liabilities	(236)	(304)
Medium- and long-term liabilities	(570)	(586)
Net capital employed	12.707	11.013
Equity	14.514	12.462
Short-term net financial position	(8.238)	(10.622)
M/L-term net financial position	6.431	9.174
Equity and net financial debt	12.707	11.013

Consolidated net financial debt at December 31, 2023

Consolidated adjusted net financial debt at December 31, 2023 was cash positive at €/000 1,711 (€/000 811 at December 31, 2022).

Figures in Euro Thousands	31/12/2023	31/12/2022
A. Cash	11.312	12.612
B. Cash equivalents	-	-
C. Other current financial assets	350	232
D. Liquidity (A + B + C)	11.662	12.844
E. Current financial debt	700	700
F. Current portion of non-current financial debt	2.670	1.521
G. Current financial debt (E + F)	3.370	2.221
H. Net current financial debt (G - D)	(8.292)	(10.623)
I. Non-current financial debt	3.846	5.871
J. Debt instruments	2.639	3.303
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I + J + K)	6.485	9.174
M. Total financial debt (H + L)	(1.807)	(1.448)
N. Past due tax payables	95	556
O. Past due social security payables	-	81
P. PAST DUE SOCIAL SECURITY TAX PAYABLES (N) + (O)	95	638
Q. Adjusted financial debt (M) + (P)	(1.711)	(811)

Consolidated income and financial indicators at December 31, 2023

The main consolidated income and financial indicators are shown below:

FIXED ASSET FINANCING INDICATORS		31/12/2023	31/12/2022
Equity less fixed assets margin	<i>Equity – Fixed assets</i>	6.768	5.383
Equity less fixed assets ratio	<i>Equity / Fixed assets</i>	1,87	1,75
Equity plus non-current liabilities less fixed assets	<i>(Equity + Consolidated liabilities) - Fixed assets</i>	7.118	5.668
Equity plus non-current liabilities less fixed assets ratio	<i>(Equity + Consolidated liabilities) / Fixed assets</i>	1,92	1,79

INDEXES ON THE STRUCTURE OF FINANCING		31/12/2023	31/12/2022
Total debt ratio	<i>(Pml + Pc) / Equity</i>	0,38	0,55
Financing debt ratio	<i>Financing Liabilities/Equity</i>	0,68	0,91

PROFITABILITY INDEXES		31/12/2023	31/12/2022
Net ROE	<i>Net result/Average equity</i>	15%	21%
Gross ROE	<i>Gross result/Average equity</i>	20%	28%
ROI	<i>Operating result/(Average CIO - Average operating liabilities)</i>	29%	39%
EBITDA on Revenue	<i>Gross Operating Margin/Revenue</i>	19,85%	26%
ROS	<i>Operating result/Revenue from sales</i>	16%	21%

SOLVENCY INDICATORS		31/12/2023	31/12/2022
Current assets less current liabilities margin	<i>Current Assets - Current Liabilities</i>	5.157	3.572
Current assets less current liabilities ratio	<i>Current Assets / Current Liabilities</i>	2,01	1,54
Treasury margin	<i>(Deferred cash + Immediate cash) - Current liabilities</i>	6.537	6.228
Treasury ratio	<i>(Deferred cash + Immediate cash) / Current liabilities</i>	2,28	1,94

Parent company operating and financial performance

On the operations front, the Parent Company ended December 31, 2023 with revenue of €/000 18,692 (€/000 17,509 at December 31, 2022).

At December 31, 2023, the Parent Company's EBITDA stood at €/000 4,096 (approximately 22% of sales at December 31, 2023) versus €/000 4,678 in the same period of 2022 (approximately 27% of sales in 2022).

EBIT at December 31, 2023 stood at €/000 3,450 versus €/000 3,613 in the same period of 2022.

At December 31, 2023 the Company closed with a profit of €/000 1,987 versus a profit of €/000 2,318 in the same period of the prior year.

Parent company reclassified income statement at December 31, 2023 and at December 31, 2022

Income statement	31/12/2023	31/12/2022
(Figures in Euro Thousands)		
Revenue and income	18.692	17.509
Other revenue and income	23	30
Change in WIP and PF inventory	-	-
Capitalization of work on time and materials basis	702	705
Other write-downs and utilizations	-	-
Revenue	19.417	18.245
COGS (Incl. change in inventory)	(6.921)	(6.148)
Gross margin	12.496	12.097
Services	(4.176)	(3.683)
Personnel	(3.770)	(3.281)
Rent and facility expense	(406)	(203)
Sundry operating expense	(47)	(252)
EBITDA	4.096	4.678
Amortization, depreciation and provisions	(647)	(1.065)
EBIT	3.450	3.613
Financial income/(expense)	(604)	(492)
Extraordinary income/(expense)	(69)	131
EBT	2.777	3.252
Tax	(790)	(934)
Profit (loss) for the year	1.987	2.318

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

Parent company reclassified statement of financial position at December 31, 2023

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

<i>Amounts in Euro thousands</i>	31/12/2023	31/12/2022
Net intangible fixed assets	6.144	5.595
Net tangible fixed assets	414	352
Investments and other financial fixed assets	3.455	3.661
Fixed Capital	10.014	9.608
Inventory	3.699	3.800
Receivables from Customers and Other Receivables	3.650	4.309
Tax receivables and deferred tax assets	535	131
Non-current Financial assets	-	-
Accrued income and prepaid expense	247	225
Current operating assets	8.131	8.465
Payables to suppliers	(2.205)	(2.083)
Tax payables and deferred tax	(295)	(1.381)
Other payables	(1.327)	(1.921)
Current operating liabilities	(3.827)	(5.385)
Net working capital for the year	4.304	3.080
Post-employment benefits	(334)	(282)
Other medium- and long-term liabilities	(72)	(113)
Medium- and long-term liabilities	(407)	(395)
Net capital employed	13.911	12.293
Equity	14.223	12.258
Short-term net financial position	(6.743)	(9.138)
M/L-term net financial position	6.431	9.174
Equity and net financial debt	13.911	12.293

Parent company net financial debt at December 31, 2023 and at December 31, 2022

The Parent Company's adjusted net financial debt at December 31, 2023 shows a cash positive €/000 217 (cash negative €/000 674 in 2022), with a change from the prior year of €/000 891.

Figures in Euro Thousands	31/12/2023	31/12/2022
A. Cash	9.818	11.128
B. Cash equivalents	-	-
C. Other current financial assets	350	232
D. Liquidity (A + B + C)	10.168	11.359
E. Current financial debt	700	700
F. Current portion of non-current financial debt	2.670	1.521
G. Current financial debt (E + F)	3.370	2.221
H. Net current financial debt (G - D)	(6.797)	(9.138)
I. Non-current financial debt	3.846	5.871
J. Debt instruments	2.639	3.303
K. Trade payables and other non-current payables	-	-
L. Non-current financial debt (I + J + K)	6.485	9.174
M. Total financial debt (H + L)	(312)	36
N. Past due tax payables	95	556
O. Past due social security payables	-	81
P. PAST DUE SOCIAL SECURITY TAX PAYABLES (N) + (O)	95	638
Q. Adjusted financial debt (M) + (P)	(217)	674

Parent company income and financial indicators at December 31, 2023 and at December 31, 2022

The main income and financial indicators of the Parent Company are shown below:

FIXED ASSET FINANCING INDICATORS		31/12/2023	31/12/2022
Equity less fixed assets margin	<i>Equity – Fixed assets</i>	5.080	3.726
Equity less fixed assets ratio	<i>Equity / Fixed assets</i>	1,56	1,44
Equity plus non-current liabilities less fixed assets margin	<i>(Equity + Consolidated liabilities) - Fixed assets</i>	5.414	4.012
Equity plus non-current liabilities less fixed assets ratio	<i>(Equity + Consolidated liabilities) / Fixed assets</i>	1,59	1,47

INDEXES ON THE STRUCTURE OF FINANCING		31/12/2023	31/12/2022
Total debt ratio	<i>(Pml + Pc) / Equity</i>	0,28	0,45
Financing debt ratio	<i>Financing Liabilities/Equity</i>	0,69	0,93

PROFITABILITY INDEXES		31/12/2023	31/12/2022
Net ROE	<i>Net result/Average equity</i>	14%	19%
Gross ROE	<i>Gross result/Average equity</i>	20%	27%

ROI	<i>Operating result/(Average CIO - Average operating liabilities)</i>	26%	32%
EBITDA on Revenue	<i>Gross Operating Margin/Revenue</i>	22%	27%
ROS	<i>Operating result/Revenue from sales</i>	18%	21%

SOLVENCY INDICATORS		31/12/2023	31/12/2022
Current assets less current liabilities margin	<i>Current Assets - Current Liabilities</i>	4.800	3.408
Current assets less current liabilities ratio	<i>Current Assets / Current Liabilities</i>	2,30	1,64
Treasury margin	<i>(Deferred cash + Immediate cash) - Current liabilities</i>	6.487	6.071
Treasury ratio	<i>(Deferred cash + Immediate cash) / Current liabilities</i>	2,76	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	-	-	-	-	-	(7.126)	7.126	-
Total	-	-	-	-	-	(7.126)	7.126	-

The Parent Company had the following transactions with the subsidiary:

Description	Financial receivables	Trade receivables	Trade payables	Invoices/CN to be received	Advances	Costs	Revenue	Interest income on loans
Ubiq	-	-	-	-	-	(8.275)	4.645	-
Total	-	-	-	-	-	(8.275)	4.645	-

The Parent Company had the following transactions with related parties:

Description	Financial receivables	Trade receivables	Other receivables	Trade payables	Invoices/CN to be received	Advances	Costs	Revenue	Interest income on loans
Matica Technologies Group SA	907.143	15.922	102.435	(63.602)	(21.307)	-	(1.019.864)	48.412	31.873
Matica Technologies Group SA IB	-	597	-	(11.111)	-	-	(136.897)	42.391	-
Matica Corp	-	968.548	-	(5.959)	-	-	(101.289)	1.305.767	-
Digital Identity Solution Korea Co., Ltd.	-	-	-	(6.878)	-	-	(10.664)	-	-
Javelin	-	-	-	-	-	-	(200)	5.943	-
Matica Corp India	-	-	-	-	-	-	-	16.000	-
Matica Technologies FZE	-	32.536	13.037	(1.192)	-	-	(13.454)	211.702	-
Matica Technologies Beijing	-	-	-	-	-	-	-	52.140	-
Total	907.143	1.017.603	115.472	(88.742)	(21.307)	-	(1.282.368)	1.682.354	31.873

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 December 31, 2023, the Parent Company held a total of 19,800 treasury shares, equal to 0.181% of the share capital.

Significant events after year end

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 on whistleblowing 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.

Business outlook of the Group

Despite the macroeconomic uncertainty, we remain confident in continued sales growth and the maintenance of high margins in the future. Thanks to the strategy pursued by the company and its team of professionals,

Matica is able to offer a complete range of solutions and will continue to invest in improving the solutions and offerings, strengthening the business model and sales network.

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 sales 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 December 31, 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.

Interest rate risk

The Group is partly exposed 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.

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.

Exchange risk

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

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

Information on the environment

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

Information on personnel

The following main information is provided:

- there were no occupational deaths, accidents or occupational disease charges in the year under review;
- the Group complies with regulations on worker protection and safety (Legislative Decree No. 81 of April 9, 2008) and related risk assessment.

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

Employees	31/12/23	31/12/22
Executives	6	6
White collars	34	40
Blue collars	33	25
Total average number	73	71

Allocation of parent company profit

Shareholders, it is proposed that profit for the year, amounting to €1,986,883.00, be allocated as follows:

- €99,344.00 to the legal reserve;
- €1,887,539.00 to retained earnings.

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

Milan, March 07, 2024

The Chairman of the Board of Directors
(Sandro Camilleri)