Registered office in: VIA COPONIA 8, 00131 ROMA (RM)

Taxpayer Identification no.: 13129151000

Economic Repertoire no.: RM 1426295

VAT no.: 13129151000

Share capital: €1,441,499.94 fully paid up

Legal status: JOINT-STOCK COMPANY

Main sector of activities (ATECO): 620100

Company in liquidation: No

Single shareholder company: No

Company subject to the management and coordination of others: No

Belongs to a group: Yes

Name of the parent company: ELETTRONICA SPA

Parent company country: ITALY

**Board of Directors:**

| | |
|---|---|
| Chairman | Domitilla Benigni |
| Chief Executive Officer | Emanuele Galtieri |
| Director | Eugenio Santagata |
| Director | Alberto Luigi Sangiovanni Vincentelli |
| Director | Vincenzo Pompa |
| Director | Cinzia Parolini |
| Director | Enrico Peruzzi |
| Director | Sandro Etalle |
| Director | Roberto Ferraresi |

**Board of Statutory Auditors:**

| | |
|---|---|
| Chairman | Stefano Fiorini |
| Standing auditor | Paolo Grecco |
| Standing auditor | Daniela Delfrate |
| Alternate Auditor | Sebastiano Bonanno |
| Alternate Auditor | Gregorio Antonio Greco |

**AUDITING FIRM**

KPMG S.p.A. *in office until the shareholders' meeting to approve the financial statements for the year closed 31 December 2021.*

# Contents of the section

# Report on Operations

Dear Shareholders,

This Report on Operations refers to the financial statements closed on 31 December 2021, prepared according to the IAS/IFRS (international Accounting Standards and International Financial Reporting Standards) issued by the International Accounting Standard Board (IASB) and adopted by the European Union. The report should be read along with the accounting statements and explanatory note, which constitute the financial statements for the period from 1 January to 31 December 2021.

It should be noted that the financial statements for the year closed on 31 December 2021 have been prepared by the company according to international accounting standards for the first time. Consequently, these financial statements prepared for the year closed on 31 December 2021 contain comparative figures related to the years closed 31 December 2020 and 2019, recalculated as indicated in the notes in the annex “Transition to IAS/IFRS accounting standards” to the separate financial statements. The transition date was on 1 January 2020.

These Notes are presented to accompany the separate financial statements in order to illustrate the general performance of operations for the year closed on 31 December 2021, in compliance with article 2428 of the Italian Civil Code.

## Economic framework and reference markets

After a widespread slowdown of economic activities at the end of the year just passed, signs of a stronger recovery have emerged in the major advanced countries, in contrast with a prolonged weakness of emerging economies. The resurgence of the pandemic and persistent gridlocks on the supply side pose the risk of a decrease in the growth rate.

The Banca d’Italia economic bulletin shows that inflation has increased practically everywhere, mainly affected by price increases in energy products, those of intermediate inputs and recovery of domestic demand, with the Federal Reserve and Bank of England which have started a normalisation process for monetary policies. In the euro area the product instead clearly decelerated at the beginning of the year due to the rise in covid cases and continuation of tensions on the supply chain which hinder manufacturing. Inflation hit the highest value of the year for the euro due to exceptional hikes in the energy segment, specifically gas which was influenced in part by factors of a geopolitical nature. Growth in Italy remained high in the third quarter of 2021, sustained by an increase of consumer spending while it later slowed down due to a rise in cases and consequent worsening of confidence mainly penalised spending for services.

In this macroeconomic context, the so-called “new normal”, characterised by alternating house/office work procedure and the constant increase in attaches, drove many Italian companies to enhance their investments in IT security. The risk of Cyber attacks was entered again in 2021 in the global risk matrix of the World Economic Forum as the main technological risk at global level (on the same level as climatic risks and disastrous events). Even the Allianz 2021 barometric risk puts the Cyber attacks risk in third place among global risks with the highest impact for countries, companies and government organisations.

At the European institutional level, the regulatory framework remains controlled by the NIS Directive of 2016 in which European institutions decided to adopt measured aimed at reinforcing cybernetic security in the European Union and the Cybersecurity Act of 2019 which constitutes the essential part of the new EU strategy for cybernetic security, aimed at strengthening the Union’s resilience to IT attacks, create a single market for cybernetic security in terms of products, services and processes and increase consumer confidence in digital technologies. During 2020 ENISA, the European Agency for Cyber security defined technological standards to support the Cyber security Act and new certification framework of Cybersecurity technologies at European level.

With Legislative Decree no. 82 of 14 June 2021, Italy established the Agency for National Cybersecurity (ACN). Its purposes include the coordination between public subjects concerning Cybersecurity and the promotion of common actions aimed at ensuring cybernetic security and resilience to achieve national and European autonomy of strategic IT processes for the protection of national interests.

This regulatory framework also includes a strong growth of awareness on cyber issues with relative positive impacts on the market ad business.

In this context Italy is quickly aligning with Europe: with a system composed by Legislative Decree no. 65 of 18 May 2018 which transposed the European NIS Directive, DPCM of 08 August 2019 that establishes the Italian CSIRT, and above all with the enactment in 2019 of the so-called Cybernetic Security Perimeter, the Italian institutions are responding to the challenges of a correct management of risks Resulting from the Cyber world, defining strategies, principles and adopting the legislative measures necessary to continue towards a public-private collaboration model, within a supranational context, to protect the “Country System”.

A new DPCM was published in 2020 in the Official Gazette no. 131 of 21 October 2020 which became effective on 05 November 2020. It concerns the Cybernetic Security Perimeter that determines new national regulatory profiles favourable to the creation of European and Italian SW digital companies. The DPCM identifies a series of companies and entities critical for determining that the latter must be defended by technologies validated at European/Italian level determining a significant increase of the barriers to entrance for many foreign providers.

During the year that just passed the Cybersecurity market witnesses a growth rate higher than ever (+13% compared to 2020), with the main organisations that forecast an increase in budget earmarked for IT security businesses. The focus of institutions also grew at the same rate as companies for Cybersecurity, at record-breaking highs. They introduced important measures in this area including PNRR (National Recovery and Resilience Plan). approved last 24 April by the Council of Ministers, which will allocate approximately €620 million to the Cybersecurity of government agencies, to enhance Personnel and structures. The EU’s Next Generation represents a further step towards the completed definition of the Missions that should be implemented by Italy to access European Union funds for the recovery that integrates the long-term financial framework for the 2021- 2027 period.

Moreover, in the past month, even the sad evolution of the diplomatic crisis between Russia and the Ukraine, culminating with the start of the conflict on last 24 February, following the invasion of the Russian army in the early hours of the morning in the regions of Luhansk, Chernihiv and Kharkiv, further highlighted the importance of managing sensitive data and information and consequently the need to protect them. The conflict has generated a scenario rarely seen in the past, materialising in a Cyber guerilla war without borders occurring to protect the attacked and attacking countries, with a previously unknown mass participation. The most active front is Anonymous, a collective of activist hackers who, even in other occasions, was well-covered by the news for a few sensational actions; eGhostSec, a collective of hackers mainly dedicated to actions against terrorist groups, which according to circulating information are acting against Russia. On the Russian side, the number of players seems less numerous even if the Società Check Point Software found a increase in hacker attacks against the Ukraine of 196% in the first three days of the conflict. Moreover, the attacks do not seem limited to just the parties directly involved in the conflict, but seems to have involved a multitude of EU Member States. These actions are linked to the Russian government in order to infect various Ukraine government entities using destructive malware, right before the military offensive. Ultimately the cybernetic war seems to be increasingly structured as central, not just in a low intensity conflict where the super powers have the goal of not being involved in a conflict for all intents and purposes, but also as an additional weapon to manage the conflict on the ground.

In the CY4Gate S.P.A. segment (hereinafter: CY4 or CY4gate)structures its value proposition through two main business lines: the division Cyber Intelligence and the Cybersecurity division, dividing its offer between products and services in both business lines.. Specifically, the “Cyber Intelligence” is composed of “Decision intelligence” propriety products and “Forensic Intelligence & Data Analysis” products, while the Cybersecurity division is composed by the development of products and technologies for “Cybersecurity” and Cybersecurity consultation, training and services.

(the main end markets of these business lines are the so-called “AIRO” (Cybersecurity Analytics, Intelligence, Response and Orchestration), as defined by the IDC Report Analyze the Future (the “Report IDC”), the “Decision Intelligence”, with sub categories including “Forensic Intelligence & Data Analysis” as defined by the Market Research Future and Technavio report. Thus the reference market is represented by various segments in which the company operates, both at local and international level.

*The “AIRO” market*

Data digitalisation and protection represents one of the fundamental pillars for the development of enterprises and correct operation of institutions because they ensure the sustainability of business models and traceability of information in a context characterised by a high technological content and rapid introduction of innovation technologies able to radically change this context.

According to the Report IDC, the AIRO market had a value of $9.3 million with a CAGR 2018- 23 growth of +11.5%. This market is currently composed of three main elements: Analytics and Intelligence, Response and Orchestration, in turn broken down based on the technologies and solutions that characterise them:.

The market, as estimated by the report IDC, has a value of $9.3 billion but, based on internal company assessments, it is ready to exceed 16 billion during 2023 thanks to the continuous expansion of the demand for Security solutions. Specifically, attacks on Cyber-physical systems is forecast to have a continually growing financial impact, due to the continual evolution of operative technologies (OT) of smart buildings and smart cities, that increase the exposure to risks, threats and vulnerability.

The 2020 Clusit Report attributed a size of approximately one billion dollars to the Italian market at the end of 2019.

Moreover, the new complexity resulting from trade wars and political instability determine an increase of investments in IT security investments and companies and institutions are experiences a growing need to add the most updated possible skills to IT and Cybersecurity personnel, in order to be able to protect their systems.

*The “Cyber Intelligence” market*

The intelligence conducted using digital instruments consisting in the collection, analysis and measurement of information in order to make a decision is an activity of both Governments, in their assigned organisations (Intelligence Agencies), and, in an increasingly significant amount, of companies in the specific meaning of Corporate Intelligence. This is different from Business Intelligence, that is limited to just the analytical aspects of a company’s core business, and Market Intelligence, focussed on market data and customer behaviour. Corporate Intelligence entails the collection, analysis, measurement and use of information that regard the company as a whole and its shareholders’ ecosystem.

As reported by the Technavio  report on Forensic Intelligence & Data Analysis Market, the global market, has a value of $0.9 billion in 2019, with a CAGR 2018- 23 growth of +24.6%.

The year 2021, like 2020, was highly characterised at organisational level by the limitations connected with the Covid-19 health emergency. The beginning of 2021, even if with a progressive recovery of operations of the company’s teams, all of the flexible elements of the implemented agile work remained in place the ensure Cy4gate an elastic and fast adaptation to every evolution of the healthcare emergency scenario. For this reason Cy4gate kept the measures introduced in March 2020, aimed at adapting company procedures to all of the instructions of the competent Authorities to contain contagion, from limitations on business travel to smart working activities. Similarly, the adoption of similar initiatives abroad slowed down the internationalisation programme started by the company. However, it has not stopped and shows a positive trend.

## Significant events

Within the context of the domestic and international context described above, the Company has continued its intense Business development activity in the domestic market, both government and corporate, improving the results of the previous year and achieving results completely in line with the Company's strategic development plan.

Specifically, in terms of the export market, the Company, compatible with the worldwide healthcare emergency situation, continued to pursue Business Development opportunities in certain selected countries (Latin American and Asia). Long-term trade partnerships and strategic collaborations were also started during the year with important sector players aimed at improving, among others, the use of the supply, as well as the distribution of Cyber in Cloud services i SaaS mode.

Cy4gate continued to maintain a significant recognition of its capabilities and technological level of its product portfolio since it was once again like in 2020 in "THE ECSO CYBER MARKET RADAR" which represents an absolute benchmark in the European Cyber segment. ECSO is the European Cyber Security Organisation, i.e. the European Commission advisor for Cyber issues.

CY4gate was mentioned, along with leading players of the segment, in the Gartner report *"Innovation Insight for Composite AI"* as "Representative Provider" for Composite Artificial Intelligence solutions for the year 2022: this is an important recognition of the technological validity of proprietary products, pursued through the Company's efforts and investments in Research and Development applied to the Cybersecurity and Decision Intelligence segment of a significant and mandatory technology that contributes to satisfying even the strictest performance requirements expected by customers and to maintain the company's product portfolio at the top of the worldwide panorama.

As previously mentioned, the Company has been listed on the Milan Stock Exchange since June 2020, on the EGM market (Euronext Growth Milan, previously AIM Italia). It was one of the most successful transactions in the past two years, aiming it possible to collect over €20 million (from more than 60 Italian and foreign investors), of which €5 million used for the departure of the minority shareholder Expert System. This permitted the company to reach a capitalisation of more than €130 million at the end of 2020 and €155 million at 31 December 2021.

Following the listing with AIM Italia and pursuant to the resolution of the Board of Directors meeting held 09 June 2020, on the date the financial statements were prepared, Cy4gate was not subject to management and coordination by any of its shareholders because the Company's Board of Directors has full and complete autonomy and independence for each and most opportune decision related to running the business.

The Company was awarded a Prize for the best use strategy in the capital market in the fund-raising section on the Mercato AIM Italia of Borsa Italia for the year 2020 on the occasion of the event organised by Equita and Bocconi University and was selected from three finalists for the Star of Innovation - European Small and MID-CAP awards 2021 from listed companies on the main European markets.

Implementing a Board of Directors' resolution, on 16 December 2021 CY4Gate:

- signed a preliminary purchase contract for 100% of the share capital of Aurora S.p.A. (the "Purchase"), a company at the top of a leading group in the Italian market and one of the main European players of the Forensic Intelligence & Data Analysis segment. This acquisition will permit start-up of s program to establish a 360° center of expertise and technologies for the cyber intelligence and cyber security sector, composed of proprietary products and suitable for providing an integrated response to important designing

of digital transformation and cyber security that the country is launching, taking advantage of the PNRR benefits. The integration will enable relevant synergies in development, which will lead to consolidation and reinforcement of the entire technological portfolio and cyber intelligence and cyber security products. It will also let CY4 expand its market reach in Europe, making the consolidation process undertaken by the Company abroad faster and more consistent.
The acquisition will be financed in equal measures totalling €12.5 million by borrowing and income from an increase in share capital for a maximum of €90 million including a share premium with exclusion of an option right pursuant to article 2441, paragraph 12.5 12.5 euro the Civil Code (the "Share Capital increase") and also aimed at ensuring an additional capital buffer;
- signing of an investment agreement with TEC Cyber S.p.A. and Elettronica S.p.A. aimed at regulating, inter alia, subscription commitments undertaken by the latter for the Share Capital increase the ("Investment Agreement");
- publication of an information document describing the Acquisition and entity resulting from the same, required by rule 14 of the Euronext Growth Issuers' Rule Book in order to provide shareholders with sufficient information on the Acquisition (the "Information Document").

Closing of the transaction is scheduled for the first quarter of 2022 in compliance with previous agreements, Consequently, the sole effect of this extraordinary transaction on the financial statements for the year closed on 31 December 2021 was recognition of the transaction costs incurred in the year and reported as other current assets in line with the requirements of international accounting standards used as a reference (see section 20 "other current assets" of the explanatory notes for more information).

From a corporate viewpoint:

- The shareholding structure at 31.12.2021 was composed as follows:

  - Electronics: 54.00%
  - AXA World Funds: 5.00%
  - Market (floating) 41.00%

The shareholders' meeting of 4 August 2021 integrated the Board of Directors, which as of 31 December 2021 was composed as follows:

- Domitilla Benigni (Chairman)
- Emanuele Galtieri (Chief Executive Officer)
- Eugenio Santagata
- Alberto Sangiovanni Vincentelli
- Enrico Peruzzi
- Vincenzo Pompa (Independent Director)
- Cinzia Parolini (Independent Director)

- An increase in share capital was performed on 14 March 2022 based on a shareholders' meeting resolution for €90 million, through the accelerated book building procedure following this the shareholding structure was composed as below:

- Electronics 38.50%
- Tec Cyber 16.00%
- Market (floating) 45.50%

Additional details on the share capital increase are provided in the section related to information on significant events happening after the reporting date.

Following the share capital increase of 14 March 2022, to carry out the second topic on the agenda resolved by the ordinary shareholders' meeting of 07 February 2022, the number of directors was increased from 7 to 9 members. The Board of Directors was composed as follows on the date this report was prepared:

- Domitilla Benigni (Chairman)
- Emanuele Galtieri (Chief Executive Officer)
- Eugenio Santagata
- Alberto Sangiovanni Vincentelli
- Enrico Peruzzi
- Vincenzo Pompa (Independent Director)
- Cinzia Parolini (Independent Director)
- Roberto Ferraresi
- Sandro Etalle

**CY4GATE**

- continued to make the overall value proposal more attractive with a clear definition of products and services, continuing to develop the product catalogue in the Cybersecurity, Intelligence, CyberElectronicWarfare and CyberResilience in collaboration with Elettronica S.p.A.;
- dedicated a significant use of employees dedicated to Research and Development activities for products able to offer customers innovative products and cutting edge technological solutions;
- reinforced its staff during the year by hiring 35 employees; most dedicated to the technical areas; against 13 departures. The Company's total head count at 31 December 2021 was 93 employees. In detail, three new managers with proven track record came on-board: Chief HR & Legal Officer (May 2021), Chief Technical Officer and CFO (September 2021). CY4's technical, engineering and commercial structure was reinforced with the hiring of 24 key employees in the Engineering area, 5 employees dedicated to the commercial development of the Company, 3 employees in the AFC and HR areas. The Company also made use of a few strategic external workers for product development;
- it structured, defined and followed up important freelance agreements outstanding players in the national scenario;

- it continued to improve its IT structure, state of the art on the national scene and an enabling element for business development, also adapting it to the particularly challenging requirements of the NIS Directive since the company is included in the so-called "National Cybernetic Scope";

- in terms of Quality Management it obtained renewal of the ISO9001 certification and is completing the ISO27001 certification;

- it has completed the internal laboratories needed for the development of the product catalogue;

- it is in possession of the  code (NATO Commercial and Governmental Entity Code);

- it holds the Licence as per Article 28 of TULPS for designing, manufacturing, holding and selling electronic equipment specifically designed for military use by national and foreign armed forces and police.

- in 2020 it obtained the NOSI (Nulla Osta Sicurezza Industriale) which in Italian law represents a licence to process information, documents and materials classified by the degree of extremely confidential to very secret:

- it adopted the Code of Ethics and the "Model 231", the Anti-Corruption Code and Policy to fight money laundering and financing of terrorism, to ensure the correctness and transparency of its business.

## Risks and uncertainties

## COVID-19 (so-called Coronavirus)

As of the date these financial statements were prepared, the Italian government and those of Member States and non-European countries had applied extraordinary restrictive measures to limit the spread of the COVID-19 virus (so-called Coronavirus), declared a pandemic by WHO (World Health Organization).

The year 2021 was also characterised by the healthcare emergency linked to the pandemic that has stricken our country and the whole world starting in the first months of 2020.

In strategic terms the event can be unquestionably classified as a "black swan", i.e. a rare event, unpredictable and with no reference model of the past, with a strong negative impact on business from all viewpoints, from sales to operations and corporate finance. It is an event that harmed (and is harming) the health of millions of people in the world and our country. For this reason Cy4gate continued to adopt measures implemented right at the beginning of the healthcare crisis in Italy in May 2020, aimed at adapting company procedures to all the provisions of the competent Authorities aimed at limiting contagion based on an assessment to safeguard each employee regardless of any government measures. These measures have ranged from block to reduction of transfers to at-risk areas and in the entire country, to severe and stringent actions for internal prevention (emergency procedure of 04 March 2020) and strict protocols with customers and suppliers as the healthcare situation became worse.

It also continued to use alternative working procedures (smartworking) guaranteeing the possibility of working from home for each employee. This action was very significant because it ensured that the company continued operations, ensuring the right flexibility to meet the specific needs including personal and family of every single employee. On one hand this allowed the company to continue operations and on the other to be completely compliant with all legal obligations to prevent the health of its employees above all in terms of social distancing in the office (as well as constant mask use, temperature measurement at the entrance, daily sanitising of work places as well as other important implemented measures, reorganisation of.spaces, etc.).

The beginning of 2021, even if with a progressive recovery of operations of the company's teams, all of the flexible elements of the implemented agile work remained in place that ensured Cy4gate elasticity and ability to quickly adapt to the various scenarios and evolutions of the healthcare emergency that occurred in 2021.

CY4 is exposed to risks connected with the global economic financial downturn due to the effects of COVID-19 and is also exposed to the risk that the spread of COVID-19 and restrictive measures adopted by national authorities to contain the number of cases could have a negative impact in the Company's operations and profit or loss. The occurrence of these risks could determine negative effects on the economic, financial and balance sheet situation of the Group. The spread of COVID-19 and/or other contagious diseases on a global level is beyond the Company's control and it is not possible to predict the evolution of the spread of COVID-19 as well as the duration of the restrictive measures aimed at containing it and, therefore, it is not possible to predict the consequent negative effects on financial markets and businesses on domestic and global levels.

Moreover, even when the restrictive measures are lifted, if later waves of COVID-19 cases occur or of other infectious diseases, national authorities could reinstate all or part of those measures, with consequent further negative effects on worldwide financial and economic markets.

## Risk management

The Company is exposed to financial risks connected with its operations, in particular related to the following cases:

- Interest rate risks, related to financial exposures;
- exchange rate risks, related to transactions in currencies different from the presentation currency;
- Liquidity risks, related to the availability of financial resources and access to the credit market;
- credit risks, resulting from normal trade transactions or financing activities.

CY4Gate carefully and specifically follows each of the aforesaid financial risks, intervening with the aim of promptly minimising them.

## Currency risk

CY4 conducts its business in countries outside the so-called Eurozone and is therefore exposed to the risk the significant fluctuations may occur in exchange rates, or the risk that revenue and costs denominated in currencies other than the euro may have different values compared to when the price conditions were defined.

At the date when these Financial Statements were prepared, CY4 did not adopt hedging instruments for exchange rate fluctuations, since the exposure to countries outside the eurozone is limited and there are no financial liabilities in currencies other than the euro.

## Liquidity risk

Liquidity risk is linked to the possibility that CY4 is unable to cope with financial obligations resulting from financial commitments and, in general, its own short-term financial commitments thus determining as an extreme consequence a situation of insolvency placing a great risk on the company's business. The main factors that contribute to liquidity risk are, on one hand, the generation/use of financial resources by operations and investing activities and, on the other, due dates for financial payables and uses of liquidity as well as contingent conditions of financial markets. CY4 pursues the objective of maintaining a sufficient treasury margin to cover financial needs. Cash flows, financial needs and liquidity are constantly monitored and managed with the aim of ensuring an effective and efficient management of financial resources.

It should be noted that Cy4's financial payables, other than liabilities for leasing contracts recognised by applying IFRS 16, on 31 December 2021 are equal to a total of €2,005,878, composed of payables due "on sight" for €6,597 and due within 6 months for €1,999,280. The amount of cash and cash equivalents at

31/12/2021 totalled €2,297,858.

## Credit risk

Credit risk represents the Company's exposure to potential default risks of a counterparty.

The Group is exposed to the risk that its customers may delay or not comply with their payment obligations at the agreed upon terms and conditions and that the adopted internal procedures in relation to the assessment of credit standing and the solvency of customers are not sufficient to ensure collection. The occurrence of these risks could have negative effects on the economic, financial and balance sheet situation of the Group.

To mitigate this risk the Company checks the credit standing of the counterparty based on internal or external ratings and establishes credit limits that are regularly monitored. Lastly, it should be noted that credit risk is additionally limited considering the characteristics of the Company's customers that include in addition to the parent company Elettronica S.p.A., also entities of the public sector.

## Interest rate risk

Considering Cy4's current financial structure at the reporting date, characterised by the absence of financial liabilities aside from lease ones and payables for advances on invoices, there are not significant risks connected to the trend of interest rates.

## Russia-Ukraine conflict

In relation to the current conflict between Russia and Ukraine, considering the fact that CY4Gate's operations is characterised by a complex and varied activity with prospects of development on international level, this conflict could determine future risk factors referred to:

- commercial development of business, border closures/interruptions/critical issues for the Company in potentially involved or bordering countries, restrictions to economic and cooperation relations;
- macroeconomic and financial factors, such as volatility of energy commodities prices, volatility of raw material prices, forecast volatility of global financial markets, exchange rates and interest rates;
- supply chain, such as the lack of raw materials and components, lack of sources of energy, interruptions in the supply chain of production factors for continual service and/or investments;
- Risk of cyber attacks, significantly mitigated by constant activity to raise the IT protection barriers.

On the date this report was prepared, these risks had not generated negative effects on the Company's business.

# Operations

The total value of revenues equalled €17,916,942, for a significant increase vs. 31 December 2020 (€12,924,483, +39%).
Revenue from sales and services invoiced by 31 December 2021 total €15,730,580 and are broken down as follows by category and geography level:

| County | Revenue from sales and services (€/000) |
|---|---|
| Italy | 13,132 |
| Mexico | 504 |
| Netherlands | 1,500 |
| Spain | 595 |
| **Total** | **15,731** |

A table is also shown that includes revenue per end user and product regardless of the geographic area of the direct customer.

| (in €) Category | Year closed at 31 December | | | |
|---|---|---|---|---|
| | **2021** | **%** | **2020** | **%** |
| Products | 11,271,617 | 72% | 12,309,597 | 95% |
| Services | 4,458,963 | 28% | 707,827 | 5% |
| **Total** | **15,730,580** | **100%** | **13,017,424** | **100%** |

| (in €) Category | Year closed at 31 December | | | |
|---|---|---|---|---|
| | **2021** | **%** | **2020** | **%** |
| Italy | 10,094,596 | 64% | 11,210,825 | 86% |
| Export | 5,635,984 | 36% | 1,806,599 | 14% |
| **Total** | **15,730,580** | **100%** | **13,017,424** | **100%** |

With particular reference to the geographic coverage of sales of the past year, despite the marketing activities abroad were greatly compromised by the COVID19 pandemic, witnessed by a clear increase in exports (up €3,829,385 compared to the previous FY) which confirms Cy4's vocation to the international market.

The total costs for purchases, services and personnel totals €9,553,720 and shows an increase of approximately 70% compared to 31 December 2020 with an increase of the incidence compared to revenue (+11%) primarily due to the increase in personnel costs (+7%) connected to the reinforcement of the Company's structure in line with the guidelines of the strategic plan to reach future objectives. In detail, the personnel cost (€6,600,071) increased (by approximately 52%) due to the new employees added, especially in the Engineering and Commercial areas. The increase in costs for services (3% in terms of percentage of operating revenue compared to the comparison) is due to the increase in demand for services in relation to needs for customisation and integration of licensed products and the strong increase in the demand for incident demand services that characterised the second half of the year.

The other operating costs and allocations related to the provision for product warranties amount to a total of €239,904 lower than the previous year (€275,114) despite a significant increase in business volumes.

The difference of the operating revenue and costs mentioned to here, i.e. EBITDA "Earnings before Income Taxes Depreciation and Amortisation" determines the Company's capability to create value through core operations. The Company's EBITDA, as defined below, before depreciation and amortisation (€3,395,403) and writedowns (€116,787), totals €8,123,318 (45% out of operating revenue) for a clear improvement compared to the previous year for €1,095,037. The Company was also able during the year, despite the increase of fixed costs due, as specified above, to reinforcement of the structure and diverse mix of business characterised by an increase compared to the past of services, to maintain a high overall margin, showing an improvement compared to plan expectations.

Net financial income and expenses totalled €72,461 mainly related to interest expense on shareholder and third party loans and foreign exchange losses.

Earnings before taxes reported a profit of €4,538,667 (€5,276,190 in 2020). Net profit after taxes instead, at €5,185,828 following reporting of deferred tax assets partly offset by reporting of current taxes for IRAP totalling €35,000. It should be noted that the estimated IRES for the period is equal to zero primarily thanks to benefits from the patent box.

In terms of the balance sheet structure, at the end of the period the Company had the following main items:

In assets:

- Intangible assets for €7,524,937 with a strong increase compared to 2020 (€3,720,165) for the capitalisation of development costs and investments incurred for licenses in line with the approved business plan.

- Property, plant and equipment for €709,242 for a slight increase compared to 2020 (€639,283) for the consolidation of product development digital laboratories and reinforcement of IT infrastructure.

- Right of use for €2,032,516 reported on Real Estate, Hardware and Cars following application of IFRS 16. Increase compared to the previous year (€450,910) is basically due to recognition in 2021 of the right of use connected to the new building owned by the parent Elettronica and used by CY4 for offices.

- Inventories and construction contracts for a total of €1,608,989, for an increase compared to the balance reported at 31 December 2020 (€859,157) for work on specific contracts not yet invoiced.

- Trade receivables (including those due from the parent company) for €23,585,605 with a significant increase compared to 2020 (€15,485,805) primarily due to the increases in total volumes sold and reporting of a high concentration of CY4 business in the last quarter of the year.

Cash and cash equivalents totalled €2,297,858 with a reduction versus 31.12.2020 of €7,684,419 determined primarily by investments realised during the year in line with the CY4 development plans through the proceeds of the IPO which had benefited the previous year balance.

- Shareholder's equity of €30,254,839 which rose compared to shareholder's equity at 31 December 2020 substantially due to the profit produced during the year (€5,185,828)

- Trade payables for €4,330,658 with an increase of €2,500,437 like for like due to the increase of total volumes and renegotiation of payment terms with the main suppliers.

- Financial liabilities totalling €4,012,473 of which €2,448,956 current, connected to short-term lines of advances on invoices and current amount of financial payables for leasing, and €1,563,517 noncurrent, primarily referred to the noncurrent amount of payables for leasing reported as an equivalent item of right of use as per IFRS 16. The ratio between financial debt and shareholder's equity is equal to 0.13.

### A. MANDATORY DISCLOSURES ON PERSONNEL:

The following did not occur in 2021:

- on the job fatalities of personnel registered in the personnel ledger, for which company liability was definitively ascertained;

- on the job serious accidents leading to serious or very serious injuries to personnel registered in the personnel ledger for which company liability was definitively ascertained;

- charges related to occupational diseases on employees or former employees and cases of mobbing, for which the Company has been declared definitively liable, describing the nature and amount of such charges.

The Company complied with all laws related to workplace safety in 2021, including in the phase of the Covid-19 pandemic.

### B. MANDATORY DISCLOSURES ON THE ENVIRONMENT:

There is nothing to report referred to:

- Damages caused to the environment for which the Company has been declared definitively guilty;

- Definitive sanctions or penalties inflicted on the company for environmental crimes or damages;

- Greenhouse gas pollution as per Law 316/2004.

### C) DISCLOSURES PURSUANT TO ARTICLE 2428 OF THE CIVIL CODE

#### 1) Research and development activities

Product development activity represents a central element of Cy4gate's business.

There was a significant use of employees in 2021 who were dedicated to development activities to produce and offer customers innovative products and cutting edge technological solutions. Product development projects continued during the year. The projects named RTA, QUIPO and trio of "NET-INT" technologies, are part of Cy4Gate's activity chain to develop the necessary functional and technological level of new products, in order to position them at state-of-the art, thus at the top of the sector, both domestic and international.

Tax credit for research and development:

In application of the provisions of the 2020 budget law no. 160/2019 which replaces the Italia Destinazione Decree (D.L. No. 145/2013, converted, with amendments, into Law no. 9/2014), circular 5/E of 16 March 2016 - Italian Tax Authority and Ministerial Decree 26/05/2020, costs for product development were incurred in 2021 for €3,664,241, on which a tax credit matured totalling €732,848.

#### 2) Relations with subsidiaries, associates, parent companies and companies subject to parent company control

It should be noted that the Company undertook transactions with related parties, specifically with the parent company Elettronica S.p.A. The tables below show the total amounts of these transactions:

| (in €) Category | Year closed at 31 December 2021 | 2020 | 01/01/2020 |
|---|---|---|---|
| Non-current financial assets | 6,000 | 6,000 | 6,000 |
| Contract derivative assets | 599,102 | 167,360 | 150,452 |
| Trade Receivables | 4,464,820 | 2,309,673 | 997,600 |
| **Total** | **5,069,922** | **2,483,033** | **1,154,052** |
| **Percentage of the transactions** | **12%** | **8%** | **10%** |

Specifically, current financial assets (€6,000) refer to security deposits related to the lease contract for offices used by the Company. The activities resulting from contract (€599,102) and trade receivables (€4,464,820) refer to assets strictly connected to licence sales and contract work in progress that CY4 performed for the parent company and not yet collected at 31 December 2021. It should be noted that the increase during the year (totalling €2,586,889) is strictly connected to the total increase in volumes of assets for Elettronica S.p.A.

| (in €) Category | Year closed at 31 December 2021 | 2020 | 01/01/2020 |
|---|---|---|---|
| Noncurrent financial liabilities | - | - | 850,000 |
| Trade Payables | 262,428 | 177,261 | 121,571 |
| Current financial liabilities | - | 708,594 | 1,349,207 |
| Contract derivative liabilities | 10,000 | 50,279 | - |
| Current financial liabilities from lease | 296,614 | 121,940 | 122,420 |
| Noncurrent financial liabilities from lease | 1,509,436 | 71,606 | 192,851 |
| **Total** | **2,078,478** | **1,129,680** | **2,636,049** |
| **Percentage of the transactions** | **5%** | **4%** | **23%** |

Non-current financial liabilities (totalling €850,000 at 01 January 2020), no longer reported at 31 December 2021, refer to a shareholder loan repaid on the due date. The financial liabilities related to the lease, current (€296,614) and noncurrent (€1,509,436) refer to lease payments for the buildings leased from the parent company and used as offices. The financial liabilities related to the contract (€10,000) refer to the net balances for which the payments received from customers are higher than the services performed by the entity and which are reported in liabilities in compliance with the requirements of international accounting standards. Lastly, trade payables (totalling €262,428) refer to liabilities mainly connected to services provided to the parent company and not yet paid at the date.

| (in €) Category | Year closed at 31 December 2021 | 2020 |
|---|---|---|
| Operating Revenue | 4,263,880 | 3,062,600 |
| *Percentage of the transactions* | 24% | 24% |
| Costs for purchases and personnel | (531,820) | (282,327) |
| *Percentage of the transactions* | 6% | 5% |

The balances in the statement of profit or loss in the year due from/to the parent company represent the residual equivalent item as commented above.

**Remuneration for directors and statutory auditors**

Remuneration for the directors include compensation for their office and rights for Phantom Stock Option as shown in the following table. For additional information related to the incentive plan see note 21 in the explanatory notes.

| | Figures in thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Compensation for Statutory Auditors | 50,450 | 33,086 |
| Compensation for Directors | 205,388 | 214,986 |
| Rights Phantom Stock Option (short term) | | 75,000 |
| Rights Phantom Stock Option (medium term) | | 75,000 |

All transactions with related parties are settled at arm's length conditions.

**3) Treasury shares**

Nothing to report.

**4) Shares (stakes) of the parent company**

The company does not possess shares of the parent company:

**5) Significant subsequent events**

In terms of the Board of Directors resolution of 16 December 2021 and described in the previous paragraph "significant events" the amount of the loan dedicated to acquisition of the Aurora group has been reduced from €20 million to €12.5 million in light of discussions during the month of January 2022 with the bank involved in the acquisition Crédit Agricole Italia S.p.A.

Other lines of financing are planned as shown below: (I) €25 million to support future capex i.e. Possible acquisitions that may be incurred by the CY4 Group (ii) €7.5 million to support generic financial requirements linked to the evolution of working capital.

The above made it necessary to publish a supplement Information Document on 23 January 2022.

In terms of the share capital increase the extraordinary shareholders' meeting of 07 February 2022, implementing the investment agreement signed on 16 December 2021, approved a share capital increase with exclusion of the option right, for a total amount up to €90 million, to be carried out by issue of a tranche up to a maximum of €10 million reserved for the parent company Elettronica S.p.A., a tranche up to a maximum of €40 million reserved for TEC Cyber S.p.A., a company established by "The Equity Club" shareholders, and a tranche of the remaining amount up to €90 million for qualified institutional investors in Italy as well as institutional investors abroad, and resolved the adoption of certain statutory amendments to implement the investment agreement signed on 16 December 2021.

The implementation of the share capital increase and finalisation of the aforesaid acquisition expected by the end of the first quarter of 2022, was subject to the usual conditions precedent for these types of transactions, including confirmation from the Panel established by Borsa Italiana S.p.A. That implementation of the signed investment agreement in the context of the acquisition between the Company, Elettronica S.p.A. e TEC Cyber S.p.A. does not entail the obligation to promote a full public tender offer on CY4 shares pursuant to the articles of association and applicable law and attainment of the required authorisations as per regulations concerning golden power, as per the Decree Law no. 21/2012, converted into law no. 56/2012. The conditions precedent had been met on the date this report was prepared.

As previously mentioned, on 14 March following up the communication of 16 December 2021 and the resolution of the Ordinary and Extraordinary Shareholders' Meeting of 07 February 2022, Cy4Gate started the placement activities of the shares from the share capital increase to pay in tranches for a total maximum amount of €90 million, including any share premium with the exclusion of the option right pursuant to article 2441, paragraph 5, of the Civil Code.

The share capital increase was successfully completed with the subscription of €90 million and issue for the Share Capital Increase of 8,571,428 shares with a per share price of 10.5.

Lastly, it should be noted that in February 2022 Cy4gate was awarded a series of contracts with key government customers and big corporations for a total value of approximately €700,000.

On 28 February 2022 Cy4gate was awarded an important tender, for the supply of its technologies in decision intelligence, with a national institutional customer. The job, with a 1 year duration, has a total value of €1.2 million.

On 17 March 2022 the Company's registered office was moved within the same municipality from Via Morolo 92 to Via Coponia 8.

## 6) Outlook

The market prospectives as previously seen are very positive, they allow the Company to pursue a consistent order acquisition programme for the next three years and makes it possible to look with confidence to the achievement of positive economic/financial results in the short/medium period based on the following assumptions:

- **Attractive markets with strong growth rate**: Cyberintelligence and Cybersecurity show a compound annual growth rate (CAGR) higher than 15%;

- **Solid technological engine**: The 5 SW proprietary solutions that permit scalability of the business model in terms of revenue and high margin;

- **Positioning on key technological trends** identified by Gartner in the Corporate reference sectors (intelligence decision and advanced SIEM systems) and mentioned, along with the primary reference sector players, in the Gartner report "Innovation Insight for Composite AI" as "Representative Provider";

- **Absolute UNIQUENESS of Cy4gate in the competitive Italian and European scenario;**

- New national and European regulatory profiles favourable to the creation of European SW digital companies: new DPCM on the Cybernetic security perimeter (which adopts European directives) that identifies a series of critical companies and entities and determines that the latter must be defended by technologies validated at European/Italian level;

- **Funds connected to the recovery fund on digital and Cybersecurity:**

- **New working models connected to the pandemic** which increased the risks of Cyber attacks for undertakings.

The Company intends to continue its organic and inorganic growth programme focussing its strategy on continual updating and development of its proprietary solutions. In particular the strategy is based on the following pillars:

- **Products**: evolution of QUIPO, RTA and NET-INT products with the addition of increasingly advanced and automatic functions, which will hopefully be integrated with the proprietary solutions of the Aurora group, also developed 100% in Italy;

- **Market development**: acquisition of national and international market shares for Cybersecurity and Cyberintelligence solutions;

- **Customers**: diversification and expansion of customer base through trade partnerships with suppliers, distributors and other players at national and international level;

- **Extraordinary transactions**: growth of the European market in the Cybersecurity area;

- **Marketing and communication**: increase “brand awareness” for Cybersecurity and Design Intelligence solutions in the Italian and international markets.

A strong development of Cy4Gate’s reference markets is considered likely for the coming years as well as an additional drive may result from use of the Recovery Fund at Cyber level.

From an integrated group standpoint development activities of the Cyber Electronic Warfare and CyberResilience market will be very important as well as military arrangements with Elettronica S.p.A. And development of new homeland security capabilities.

The internal operating structure is expected to grow in the engineering (Delivery and R&D) and Commercial function, with the addition of qualified employees in line with business development.

Optimisation of processes will continue in the short term with improvement of job order management of administrative processes including the use of modern management systems adequate for the dimension and characteristics of Cy4gate’s business.

The use of selected and loyalisation of external employees is expected to continue. As in the past, they can give a fundamental contribution at the development of certain specific functions related to products.

Investments are expected to continue in future years in the development of IT infrastructure, digital laboratories and Academy for products for maintenance of the technological excellence of our products.

From the viewpoint of industrial collaborations, other than those already consolidated, the search continues both in Italy and abroad for the best opportunities able to guarantee for Cy4gate an increase in sales volumes, access to new markets and improvement of the product catalogue.

At this time it is very relevant to point out that the Shareholders and Directors of the company have long started an extensive analysis to identify initiatives to ensure further organic growth of Cy4gate and assessment of the most adequate procedures for also creating extraordinary transactions (M&A) fir inorganic growth.

**6Bis) Use of financial instruments if relevant for assessment of the financial and profit or loss situation for the year.**

Nothing to report.

ON BEHALF OF THE BOARD OF DIRECTORS

(Ms. Domitilla Benigni)

(Mr. Emanuele Galtieri)

# Accounting statements of CY4gate S.P.A.

## Statement of profit (loss) for the year

| (in €) | Notes | Year closed at 31 December | |
|---|---|---|---|
| Category | | 2021 | 2020 |
| Operating Revenue | *(1)* | 17,038,384 | 12,561,557 |
| *of which with related parties* | | *4,263,880* | *3,062,600* |
| Other operating revenue | *(2)* | 878,558 | 362,925 |
| **Revenue** | | **17,916,942** | **12,924,483** |
| Costs for purchases and personnel | *(3)* | (9,553,720) | (5,645,844) |
| *of which with related parties* | | *(531,820)* | *(282,327)* |
| Depreciation, writedowns and value adjustments of financial assets | *(4)* | (3,622,584) | (1,847,927) |
| Other operating costs | *(5)* | (129,510) | (66,732) |
| **Operating result** | | **4,611,128** | **5,363,979** |
| Net Financial Income (Charges) | *(6)* | (72,461) | (87,789) |
| **Earnings Before Taxes** | | **4,538,667** | **5,276,190** |
| Tax | *(7)* | 647,161 | 5,790 |
| **Profit (loss) for the year** | | **5,185,828** | **5,281,981** |
| **Earnings (loss) per share** | *(8)* | **0.35** | **0.35** |

# Statement of comprehensive income

| Statement of comprehensive income | Notes | 2021 | 2020 |
|---|---|---|---|
| **Profit (loss) for the year** | *(20)* | **5,185,828** | **5,281,981** |
| Actuarial gains/(loss) of defined benefit plans for employees | | 96,231 | (54,821) |
| Tax effects | | (23,095) | 13,157 |
| **Components which will not be later reclassified in profit/(loss) for the year** | *(20)* | **73,136** | **(41,664)** |
| **Comprehensive profit /(loss) for the year** | | **5,332,101** | **5,198,653** |

# Statement of Financial Position

| (in €) Category | Notes | Year closed at 31 December 31/12/2021 | 31/12/2020 | 01/01/2020 |
|---|---|---|---|---|
| Intangible Assets | *(9)* | 7,524,937 | 3,720,165 | 1,167,882 |
| Property, plant and equipment | *(10)* | 709,242 | 639,283 | 578,813 |
| Right-of-use assets | *(11)* | 2,032,516 | 450,910 | 597,477 |
| Non-current financial assets | *(12)* | 6,000 | 21,000 | 6,000 |
| *of which with related parties* | | *6,000* | *6,000* | *6,000* |
| Other non-current assets | *(13)* | 621,199 | 22,440 | - |
| Deferred tax assets | *(7)* | 716,696 | 57,630 | 34,126 |
| **Noncurrent assets** | | **11,610,589** | **4,911,428** | **2,384,298** |
| Inventories | *(14)* | 66,500 | 251,000 | 251,000 |
| Contract derivative assets | *(15)* | 1,542,489 | 608,157 | 331,836 |
| *of which with related parties* | | *599,102* | *167,360* | *150,452* |
| Trade Receivables | *(16)* | 23,585,605 | 15,485,805 | 6,102,521 |
| *of which with related parties* | | *4,464,820* | *2,309,673* | *997,600* |
| Tax assets | *(17)* | 929,351 | 415,424 | 932,980 |
| Other current assets | *(18)* | 1,243,057 | 372,878 | 132,994 |
| Cash and cash equivalents | *(19)* | 2,297,858 | 9,982,277 | 1,398,298 |
| **Current assets** | | **29,664,860** | **27,115,540** | **9,149,629** |
| **Total assets** | | **41,275,450** | **32,026,968** | **11,533,927** |

| (in €)<br>Category | Notes | Year closed at 31 December<br>31/12/2021 | <br>31/12/2020 | <br>01/01/2020 |
|---|---|---|---|---|
| Share capital | | 481,500 | 481,500 | 321,000 |
| Share premium reserve | | 19,499,944 | 19,499,944 | 3,910,444 |
| Other Reserves | | (1,140,918) | (1,217,764) | (96,039) |
| Retained earnings (losses carried forward | | 6,228,486 | 950,215 | (808,999) |
| Profit (loss) for the year | | 5,185,828 | 5,281,981 | 1,851,804 |
| **Shareholders' equity** | ***(20)*** | **30,254,839** | **24,995,876** | **5,178,209** |
| Provisions for employee benefits - noncurrent | ***(21)*** | 326,481 | 561,220 | 118,535 |
| Provisions for allocations noncurrent | ***(22)*** | 32,952 | 78,057 | - |
| Noncurrent financial liabilities | ***(23)*** | - | - | 850,000 |
| *of which with related parties* | | - | - | *(850,000)* |
| Noncurrent financial liabilities from lease | ***(24)*** | 1,563,517 | 237,642 | 375,004 |
| *of which with related parties* | | *1,509,436* | *71,606* | *192,851* |
| **Noncurrent Liabilities** | | **1,922,950** | **876,919** | **1,343,539** |
| Provisions for employee benefits - current | ***(21)*** | 271,875 | 318,750 | - |
| Provisions for allocations current | ***(22)*** | 267,793 | 161,943 | 50,000 |
| Trade Payables | ***(25)*** | 4,330,658 | 1,830,221 | 1,566,211 |
| *of which with related parties* | | *262,428* | *177,261* | *121,571* |
| Non-current liabilities | ***(26)*** | 2,005,878 | 1,025,552 | 1,356,670 |
| *of which with related parties* | | - | *708,594* | *1,349,207* |
| Current financial liabilities from lease | ***(27)*** | 443,078 | 203,288 | 222,473 |
| *of which with related parties* | | *296,614* | *121,940* | *122,420* |
| Contract derivative liabilities | ***(15)*** | 65,252 | 1,677,470 | 1,219,120 |
| *of which with related parties* | | *10,000* | *50,279* | - |
| Tax liabilities | ***(28)*** | 580,261 | 513,618 | 423,484 |
| Other current liabilities | ***(29)*** | 1,132,867 | 423,329 | 174,221 |
| **Current liabilities** | | **9,097,660** | **6,154,172** | **5,012,178** |
| **Total liabilities** | | **41,275,450** | **32,026,968** | **11,533,927** |

# Statement of changes in shareholders' equity

| | Share capital: | Share premium reserve | Other reserves: FTA reserve | Other reserves: Legal reserve | Other reserves: Reserve for share capital increase ancillary charges | Other reserves: Other components of comprehensive income | Other reserves: Deferred tax liabilities in (OCI) | Retained earnings (losses carried forward | Profit (loss) for the year | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 01.01.2020** | **321,000** | **3,910,444** | **(96,039)** | **-** | **-** | **-** | **-** | **(808,999)** | **1,851,804** | **5,178,209** |
| Allocation of net income (loss) from previous year | | | | 92,590 | | | | 1,759,214 | (1,851,804) | - |
| Increase in Share Capital | 160,500 | 15,589,500 | | | | | | | | 15,750,000 |
| Recognition of Share Capital ancillary charges | | | | | (1,172,651) | | | | | (1,172,651) |
| Employee benefit discounting | | | | | | (54,821) | 13,157 | | | (41,664) |
| Profit / (Loss) for the year | | | | | | | | | 5,281,981 | 5,281,981 |
| **Balance at 31.12.2020** | **481,500** | **19,499,944** | **(96,039)** | **92,590** | **(1,172,651)** | **(54,821)** | **13,157** | **950,215** | **5,281,981** | **24,995,876** |
| Allocation of previous year's net profit (loss) | | | | 3,710 | | | | 5,002,907 | (5,006,617) | - |
| Employee benefit discounting | | | | | | 96,231 | (23,095) | | | 73,136 |
| Other movements | | | | | | | | 275,364 | (275,364) | - |
| Profit / (Loss) for the year | | | | | | | | | 5,185,828 | 5,185,828 |
| **Balance at 31.12.2021** | **481,500** | **19,499,944** | **(96,039)** | **96,300** | **(1,172,651)** | **41,410** | **(9,938)** | **6,228,486** | **5,185,828** | **30,254,839** |

# Statement of Cash Flows

| | 2021 | 2020 |
|---|---|---|
| **STATEMENT OF CASH FLOWS OF OPERATIONS** | | |
| **Profit for the period** | **5,185,828** | **5,281,981** |
| Tax | (647,161) | (5,790) |
| **Result before taxes** | **4,538,667** | **5,276,190** |
| *Adjustments for:* | | |
| ***• Non-monetary elements*** | | |
| Amortisation/depreciation of intangible assets and property, plant and equipment | 3,395,403 | 1,547,141 |
| Write-downs | 116,787 | 92,404 |
| Costs for post-employment benefits and defined plan benefits | 206,356 | 77,831 |
| Costs for employee incentive plans | (93,750) | 637,500 |
| Allocation to Provision for risks and charges | 110,394 | 208,382 |
| (Capital gain) / capital loss on disposal | | |
| Interest income and interest expense | 72,461 | 87,789 |
| **Subtotal** | **3,807,651** | **2,651,047** |
| **Cash flows from operations before changes in working capital** | **8,346,318** | **7,927,238** |
| ***Change in share capital for year*** | | |
| Trade receivables | (8,099,800) | (9,383,284) |
| *of which with related parties* | *(2,155,147)* | *(1,312,073)* |
| Inventories | 184,500 | 0 |
| Derivative assets from contracts | (934,332) | (276,321) |
| *of which with related parties* | *(431,741)* | *(16,908)* |
| Trade payables | 2,500,437 | 264,010 |
| *of which with related parties* | *85,167* | *55,690* |
| Provisions for risks and charges | (49,649) | (18,382) |
| Derivative liabilities from contracts | (1,612,218) | 458,350 |
| *of which with related parties* | *131,921* | *(481,921)* |
| Other operating assets | (1,158,391) | 174,816 |
| Other operating liabilities | 776,178 | 339,242 |
| Payments to post-employment benefits and defined plan benefits | (289,625) | (8,256) |
| **Subtotal** | **(8,682,900)** | **(8,449,825)** |
| **Cash flow generated from operations transactions** | **(336,582)** | **(522,587)** |
| Interest collected | | |
| Interest paid | (40,707) | (30,586) |
| Tax paid | (120,634) | (62,554) |
| **A) Cash flow net generated (absorbed) from operations** | **(497,923)** | **(615,727)** |
| Net investments in intangible assets | (6,729,136) | (3,682,284) |
| Investments in property, plant and machinery | (314,883) | (255,340) |
| Realisation price or repayment value of property, plant and equipment | | |
| Investments in shareholding | (900,684) | |
| Change in net financial receivables | | |
| **B) Cash flows generated (absorbed) from investing activities** | **(7,944,703)** | **(3,937,625)** |
| **STATEMENT OF CASH FLOWS OF FINANCING ACTIVITIES** | | |
| Share capital increase for consideration | 0 | 14,577,349 |
| (Repayment) / Net uses of lines of credit | (850,000) | (1,300,000) |
| *of which with related parties* | *(700,000)* | *(1,300,000)* |
| Change in Other Financial Liabilities | 1,830,326 | 118,882 |
| Repayment of financial leases | (237,119) | (243,900) |
| Other movements | 15,000 | (15,000) |
| **C) Cash flows generated (absorbed) financing activities** | **758,207** | **13,137,331** |
| **INCREASE (DECREASE NET OF CASH AND CASH EQUIVALENTS (A+B+C)** | **(7,684,419)** | **8,583,979** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD (19)** | **9,982,277** | **1,398,298** |
| **CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (19)** | **2,297,858** | **9,982,277** |

# Explanatory notes to the Accounting statements of CY4Gate S.p.A.

## General information

CY4Gate S.p.A. ("CY4" or the "Company") is an Italian joint stock company with registered office in Rome in Via Coponia, 8 and has been listed in the EGM segment "Euronext Growth Milan", on the Milan Stock Exchange since June 2020.

The Company is controlled by Elettronica S.p.A., with registered office in Rome, which prepares the consolidated financial statements as the group's largest company. In compliance with point 22-quinquies of article 2724 of the Civil Code it should be noted that a copy of the consolidated financial statements is on file at the parent company's registered office in Via Tiburtina 13,700.

The duration of the Company is established until 31 (thirty-one) December 2050 (two thousand fifty) and can be extended, once or twice, by a shareholders' meeting resolution.

On the date the financial statements were prepared, Cy4gate was not subject to management and coordination by any of its shareholders because the Company's Board of Directors has full and complete autonomy and independence for each and most opportune decision related to running the Company's business.

These draft financial statements was approved by the Company's Board of Directors in the 17 March 2022 meeting.

## Accounting policy and compliance with IFRS-EU

The CY4Gate S.p.A. Company's financial statements for the year closed 31 December 2021 was prepared in compliance with the International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), recognised in the European Union pursuant to the regulation (EC) no. 1606/2002 and in effect at the closing of the financial year. All of the accounting standards and interpretations indicated above is defined as "IFRS-EU" hereunder.

CY4Gate adopted the IFRS-EU international accounting standards starting in the 2021 financial year with the 01 January 2020 transition date as consequence of exercising the right to application on a voluntary basis contained in the EU regulation no.1606/2002 of 19 July 2002 adopted by our legal system by Legislative Decree 28 February 2005 no.38.

The last financial statements prepared with the national accounting standards was for the year closed on 31 December 2020.

Consequently, in these financial statement includes comparative data of financial year 2020 as well as the financial situation at the transition date (01 January 2020) recalculated according to the IFRS-EU international accounting standards as extensively described in the annex to these Explanatory Notes "Transition to the international accounting standards (IFRS-EU)".

# Presentation Basis

The 2021 financial statements are composed of the following statements:

1. Statement of profit (loss) for the year;
2. Comprehensive income statement;
3. Statement of Financial Position;
4. Statement of cash flows;
5. Statement of changes in shareholders' equity;
6. Explanatory notes.

It should be noted that the Company decided to present the Comprehensive income statement in two separate statements as allowed by IAS 1.81. Therefore the Income Statement is composed of a statement that shows the profit (loss) for the period (Statement of profit or loss) and a second statement that starts from profit (or loss) for the period to which are added the "other components of comprehensive income" (comprehensive income statement.

It should also be noted that the statement of profit (loss) for the year is presented using a classification of single components based on their nature. This form is compliant with the operations reporting procedures adopted in the Company and is therefore considered the most representative compared to presentation by intended use, providing more relevant indications adequate to the specific sector.

In terms of the Statement of Financial Position a presentation form has been adopted with distinction between current and noncurrent assets and liabilities, according to what is allowed by paragraph 60 et seqq. Of IAS 1.

The statement of cash flows presents the cash flows occurring during the year classified between operations, investing activities and financing activities; cash flows from from operations are represented using the indirect method.

The statement of changes in shareholders' equity has been defined in compliance with IAS 1, obviously taking into account the overall profit or loss.

It should also be noted that these financial statements have been prepared based on the best knowledge of the IFRS-EU and taking into account the best teaching on the subject; possible future orientations and interpretive updates will be reflected in future years, according to the procedures required by the reference accounting standards from time to time.

The Company's functional currency is the euro, basis of presentation of the financial statements, which represents the current legal tender of countries where the company mainly works, all of the amounts included in the tables of the following notes, unless otherwise indicated, are expressed in euro

The financial statements are composed of the Statement of financial position, Comprehensive income statement, Statement of changes in shareholders' equity, Statement of cash flows and relative Notes, in detail:

- the Statement of Financial Position was prepared by classifying assets and liabilities according to the "current/noncurrent" method with specific separation, if present, of assets/liabilities classified as held for sale or included in a group to be disposed classified as held for sale;
- the Income Statement was prepared by classifying costs by nature with separate evidence, if present, of the net income of the continuing operations and that of discontinued operations;
- the Comprehensive income statement includes, in addition to the profit (loss) for the year, the other changes of the shareholders' equity changes related to transactions not undertaken with the Company's shareholders;
- the Statement of changes in shareholders' equity provides separate evidence of the profit (loss) for the year and every other variation not posted in the Income Statement;

- the Statement of cash flows was prepared by reporting the cash flows resulting from operations according to the indirect method.

The financial statements for the year is also accompanied by the Report on Operations.

These financial statements have been prepared for a going concern because the directors have verified the lack of indicators of a financial, operational or other nature that could indicate critical problems on the ability of the Company to cope with its obligations in the foreseeable future and particularly in the next 12 months. The description of the procedures the Company uses to manage financial risks is contained in the dedicated section below called “Management of financial risks”

The financial statements have been prepared based on the conventional method of historic cost except for cases where the fair value method if mandatory.

It should also be noted that the term “current” means the 12 months after the reference date of this document, while “noncurrent” periods beyond 12 months after the same date.

# Adopted Accounting Standards

The accounting standards and most significant measurement methods used for preparing the financial statements are provided below.

## Property, plant and equipment

Property, plant and equipment are reported at purchase or production cost, after accumulated depreciation and any impairment. The purchase or production cost includes expenses directly incurred to prepare assets for use, as well as any expenses for dismantling and removal which will be incurred consequent to contractual obligations to return the asset to its original conditions. The financial expenses directly attributable to acquisition, construction or production of qualified assets, are capitalised and depreciated based on the useful life of the asset to which they refer. The costs for improvements, modernisation and transformation of an incremental nature of property, plant and equipment are reported in assets.

The expenses incurred for routine maintenance and repair are directly reported in the income statement when incurred. Capitalisation of costs related to expansion, modernisation or improvement of company owned structural elements or in use by third parties is performed within the limits that they meet the requirements for being separately classified as an asset or part of an asset, by applying the component approach method, according to which each component susceptible to autonomous measurement of the useful life and relative value must be handled individually.

Depreciation is calculated on a straight-line basis based on the rates which are considered representative of the estimated economic-technical useful life of the assets.

The useful life of property, plant and equipment and the residual value are reviewed and updated, where necessary, at least at the closing of each year. Land is depreciated only for the part related to capitalised reclamation expenses.

The table below shows the depreciation rates and useful lives:

- Equipment 15%
- Furniture and office machines 12%
- Electronic office machines 20%
- Furniture 15%
- Access entrance control system 25%
- Other assets of an insignificant value 100%

## Leasing of property, plant and equipment

IFRS 16 establishes the standards for recognising, measuring and reporting in the financial statements and supplemental information on leasing and replaces starting from 2019 the IAS 17 standard “Leasing” and the IFRIC 4 interpretations “Determining whether an arrangement contains a lease”, SIC-15 “Operating leases - Incentives” and SIC-27 “Evaluating the substance of transactions in the legal form of a lease”.

S>specifically, IFRS 16 defines the lease as a contract that attributes to the customer (lessor) the right of use of an asset for a certain period of time in exchange for consideration.

The new standard contains a single model for reporting a lease contract for lessors (whether finance or operating); i.e., for all lease contracts with a duration over 12 months, IFRS 16 requires recognition of an asset, representative of the right to use, and a liability, representing the obligation to make the payments stated in the contract.

Instead, for the lessor’s financial statements, IFRS 16 does not contain significant introduction maintaining the distinction between operating and financial, lease.

IFRS 16 also significantly extended the disclosure requirements previously required by IAS 17, however specifying that the disclosures are only provided when they are useful for the user of the financial statements.

When signing a contract CY4 evaluates if it is, or contains, a lease. In other words, if the contract grants the right to control the use of an identified asset for a period of time in exchange for consideration.

**CY4Gate S.p.A. in the capacity of lessor**

A single model of recognising and measuring has been adopted for all leases, except for short term leases and leases of a modest value. The Company recognises liabilities related to lease payments and assets for right of use that represents the right to use the asset underlying the contract.

***i) Assets for right of use***

The Company recognises the assets for right of use on the start date of the lease (i.e. When the underlying asset is available for use). Assets for right of use are measured at cost, net of accumulated depreciation and impairment, and adjusted for any re-measurement of the lease liabilities. The cost of the assets for right of use include the amount of the recognised lease liabilities, incurred initial direct costs and lease payments made at the start date or before the start met of any incentives received. Assets for right of use are amortised on a straight-line basis from the start date to the end of the use life of the asset consisting in the right of use.

If the lease transfer the ownership of the underlying asset to the lessor at the end of the lease or if the cost of the asset consisting in the right of use reflects the fact that the lessee will exercise the purchase option, the lessor must amortise the asset consisting in the right of use from the start date until the end of the useful life of the underlying asset.

Assets for the right of use are subject to impairment. See the information in the following section Impairment of intangible assets.

***ii) Liabilities connected to leasing***

At the start date of the lease, the Company reports the lease liabilities measuring them at the current value of the payments due for the lease not yet paid on that date. The payments due include fixed payments (including fixed payments in substance) met of any incentives to lease to be received, variable payments of the lease that depend on an index or rate, and amounts that expected to be paid to guarantee the remaining value. Lease payments also include the price for exercising a purchase option if there is a reasonable certainty that such option will be exercised by the Company and the lease termination penalty payments, if the duration of the lease takes into account the Company’s exercising the lease termination option.

Variable lease payments that do not depend on an index or a rate are reported as costs in the period (unless they were not incurred for the production of inventories) when the event or condition occurred that generated the payment.

To calculate the current value of the payments due, the Company uses the marginal financing rate on the start date if the implicit interest rate cannot be easily determined. After the start date, the amount of the lease liability increases to take into account interest on the lease liability and decreases to consider the payments made. Moreover, the carrying amount for lease payables is recalculated if there are any changes to the lease or to revise the contractual conditions for the change of payments; it is also recalculated in the presence of changes related to measurement of the purchase option of the underlying asset or for changes of future payments resulting from a change in the index or rate used to determine such payments.

iii) ***Short-term leases and leases of assets of modest value***

The Company applies an exemption for reporting leases of a short duration related to machinery and equipment (i.e. Leases with a duration of 12 months or less from the start date and which do not contain a purchase option). The Company ha also applied an exemption for leases related to assets of a modest value regarding lease contracts related to office equipment whose value is considered low. Payments related to short term leases and leases of low value assets are reported as cost on a straight line basis for the duration of the lease.

**The Company in the capacity of lessor**

Lease contracts which substantially leave all of the risks and rewards linked to the ownership of the asset with the Company are classified as operating leases. Income from operating leases must be reported on a straight-line basis for the duration of the lease, and is included in revenue in the income statement given their operating nature. The initial negotiation costs are added to the carrying amount of the leased asset and reported based on the duration of the contract on the same basis as income from leasing. Rents not budgeted are reported as revenue in the period they mature.

## Intangible assets

Intangible Assets are composed of non-monetary elements, without any physical consistency and clearly identifiable and aimed at generating future economic benefits for the undertaking. These elements are reported at the purchase and/or production cost including expenses directly attributable during the phase to prepare the asset for operation, net of accumulated amortisation (with the exception of assets with an undefined useful life, whose value undergoes impairment tests pursuant to IAS 36) and any impairment. Amortisation starts when the asset is available for use and systematically divided in relation to the remaining possibility of use of the same and this based on its useful life. The year in which the intangible asset is reported for the first time a rate is used which takes into account its effective use.

Industrial patent rights and intellectual property rights are reported at purchase cost net amortisation and impairment accumulated over time.

Amortisation starts in the year when the right, of which ownership is acquired, is available for use and takes into account the relative useful life (3 - 5 years).

Licences and similar rights are reported at cost net amortisation and impairment accumulated over time. Amortisation starts in the year when the ownership is acquired in relation to their duration.

Development costs include the costs related to application of the research results or other knowledge to a plan or project aimed at production of applications, devices and new software systems or substantially advanced prior to start-up of sales, for which it is possible to prove the production of future economic benefits. These costs are amortised during the period when the expected future revenue occurs from the same projects estimated as three years considering the characteristics of the projects in question.

Intangible assets are amortised on a straight-line basis as follows:

- Development costs are amortised in a period equal to three years (33.33%);
- Intangible assets (Industrial patent rights and Concessions, licences, trademarks and similar) are amortised in the shorter period between the legal or contractual duration and the remaining possibility of use (from 20% to 33% based on the duration of the licence);
- Other assets: they are amortised in the shorter period between future use of the expenses incurred and remaining use of the lease, taking into consideration any renewal period, if it depends on the Company (variable based on the remaining duration of the lease contract).

## Impairment of property, plant and equipment and intangible assets

The Impairment Test for intangible Assets with an undefined useful life and intangible Assets with a defined useful life in the process of being created is performed at least annually.

Property, plant and equipment and intangible assets (other than those with an undefined life or in the progress of being created) are tested every reporting date to ensure there have not been any events or changes that could have results in impairment.

The Company, where necessary, performs an Impairment Test on the smallest group of assets that generates cash flows completely independent from general cash flows from other assets or groups of assets (so-called Cash Generating Unit), if it is not possible to determine the recoverable value of the single assets..

The Impairment assessment is performed through comparison between the carrying amount of the asset (or group of assets) and the relative recoverable value[1]. If the carrying amount is greater that the recoverable value, the asset is written down by reporting impairment of the value reported in the income statement. If the conditions for the previously performed writedown cease to exist, the carrying amount of the asset is reinstated to the net carrying amount: the reinstatement is also reported in the income statement. The value of goodwill or an intangible asset with undefined useful life that was previously written down is not reinstated for any reason.

## Impairment of other Financial Instruments

The adoption of IFRS 9 "Financial Instruments" radically changed the procedures for determining and reporting impairment of financial assets, replacing the incurred loss contained in the previous IAS 39 with a method based on forward-looking expected credit loss (ECL).

Based on the new standard, regardless of a specific trigger event already manifest or latent, for all financial assets (except those measured at FVTPL) - expected losses calculated according to the ECL method must be reported.

In terms of trade receivables and contract assets, representing most of the Company's credit exposure, an impairment model has been implemented that takes into account the so-called simplified approach required by the standard for these types of receivables. Specifically, the aforesaid assets have been divided into uniform clusters that take into account the type of receivable, customer's rating and relative geographic area. Based on the information collected, the reference parameters (PD[2,] LGD[3] and EAD[4]) are then determined- for each uniform cluster - to calculate the lifetime expected credit losses. In the event of positions referred to Customers with credit risk less than adequate (so-called speculative grade, non investment grade, high yield) and having significant delays in payments analytical writedowns are made taking into account the parameters identified on a time to time basis. In terms of the other financial assets to subject to Impairment Test, analyses have

1 The recoverable value, in particular, is defined as the higher between the fair value net sales costs and value in use of the asset.

2 PD: Probability of Default.

3 LGD: Loss Given Default.

4 EAD: Exposure At Default.

been performed based on the general approach contained in the standard in question based on which a stage allocation was performed of the positions subject to impairment estimating the expected loss taking into account the risk parameters PD, LGD and EAD. The impairment loss calculated by applying IFRS 9 (including the relative reversal) are reported in the statement of profit (loss) for the year.

## Inventories

Inventories are reported at the lower value between the purchase and/or production cost and the net realisable value.

The purchase cost includes the ancillary expenses; the production cost includes the costs directly attributable and a portion of indirect costs, reasonably attributable to the products.

Obsolete inventories and/or slow moving, are written down in relation to their presumed possibility of use or future realisation, by reporting a specific provision to adjust the value of inventories. The writedown is eliminated in later years if the reason for it cease to exist.

## Receivables and financial assets

The company classifies financial assets in the following categories:

- Amortised cost;
- Fair value reported in profit (loss) for the year;
- Fair value reported in other components of the income statement.

The company determines the classification of the same based on the pursued business model in managing financial assets and characteristics related to contractual cash flows of the financial asset.

Financial assets are initially measured at fair value more or less, in the event of financial assets or liabilities not measured at fair value reported in profit (loss) for the year, costs of the transaction directly attributable to the purchase or issue of the financial asset. Trade receivables are initially measured at the transaction price because it is representative of the fair value.

At the time of initial reporting financial assets are classified in one of the categories listed above and can be later reclassified in other categories only if the Group changes its business model for management of the same.

The company reports expected losses as a value adjustment related to financial instruments measured at amortised cost, assets resulting from a contract and debt securities measured at fair value reported in other components of the income statement. Expected losses are determined for the entire life of the receivable. The classification between current and noncurrent reflects management’s expectations on their negotiation.

***Financial assets measured at amortised cost***

This category includes held to collect financial assets, represented solely by the payment of principle and interest on the amount of principle to pay. All receivables are included in this category.

These assets are measured at amortised cost in compliance with the effective interest method, decreased by impairment. Interest income, gains and losses on foreign exchange and impairment losses are reported in profit (loss) for the year like profit or loss from derecognition.

***financial assets at fair value reported in other components of the income statement***

This category includes financial assets possibly held by the Group with the dual aim of collecting contractual cash flows, represented solely by the payment of principle and interest on the amount of principle to pay, and held to collect and sell financial assets.

***financial assets at Fair value reported in profit loss) for the year***

This category includes financial assets not classified as measured at amortised cost or fair value reported in other components of the income statement.

The fair value of held to sell financial assets is determined using the market price on the reporting date as a reference (or interim situations) or through financial measurement techniques and models.

# Fair value measurement

The fair value is defined by IFRS 13 as a market measurement method, not specific of the entity, that represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When a price cannot be reported for an identical asset or liability, the fair value is measured using a valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

There may be appropriate single or multiple valuation techniques. If more than one valuation technique is used to measure the fair value, the results must be measured considering the reasonableness of the range of values indicated by these results.

The three most widely used valuation techniques are:

- **Market approach**: uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities;
- **Cost approach**: reflects the amount that would be required currently to replace the service capacity of an asset; and
- **Income approach**: converts future amounts (cash flows or income and expenses) to a single current (discounted) amount.

Based on the observability of relevant inputs used in the chosen valuation technique, the assets and liabilities measured at fair values in the financial statements are measured and classified according to the fair value hierarchy established IFRS 13.

- Level 1 inputs are quoted prices (without adjustment) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs inputs are unobservable inputs for the asset or liability.

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement

**FINANCIAL ASSETS AND LIABILITIES BY CATEGORY**

Trade receivables and other financial assets, trade payables, other liabilities and loans, reported in the statement of financial position are measured with the amortised cost method.

Financial liabilities and assets are regulated and measured at market rates and transaction costs are not present. It should be noted that no reclassifications of financial assets or liabilities from the fair value category to amortised cost or vice versa.

The table below shows a classification of financial assets and liabilities by category.

| (€) | 31.12.2021 Financial assets / liabilities measured at amortised cost | 31.12.2020 Financial assets / liabilities measured at amortised cost | 01.01.2020 Financial assets / liabilities measured at amortised cost |
|---|---|---|---|
| ***Assets*** | | | |
| Other current and noncurrent receivables and assets | 1,864,256 | 395,318 | 132,994 |
| Trade receivables | 23,585,605 | 15,485,805 | 6,102,521 |
| Current financial assets | | | |
| Cash and cash equivalents | 2,297,858 | 9,982,277 | 1,398,298 |
| **Total assets** | **27,747,718** | **25,863,399** | **7,633,813** |
| ***Liabilities*** | | | |
| Current and noncurrent loans* | | | |
| Trade payables | (4,279,866) | (1,830,221) | (1,566,211) |
| Other current and noncurrent liabilities | (1,132,867) | (332,557) | (174,221) |
| **Total liabilities** | **(5,412,732)** | **(2,162,778)** | **(1,740,431)** |

** does not include liabilities for leasing*

In terms of the fair value indication of financial Assets/Liabilities measured at amortised cost, it should be noted that management believed that the relative carrying amount is able to reasonably represent the corresponding fair value[5].

## Derecognition of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is removed from the balance sheet when:

- The rights to receive cash flows from the asset are extinguished;
- The right to receive cash flows for the asset is retained, but there is a contractual obligation to pay it entirely and without delays to a third party;
- The Company has transferred the right to receive cash flows from the asset and: (a) transferred substantially all of the risks and rewards of ownership of the financial asset or (b) has neither retained nor transferred substantially all of the risks and rewards of the asset, but has relinquished control of the same.

If the entity has transferred the rights to receive cash flows from an asset and has not transferred or retained substantially all of the risks and rewards or has not lost control of the same, the asset is recognised to the extent to which it has a continuing involvement in the asset. Continuing involvement that for example is in the form of a guarantee on the transferred asset is measured at the lower between the initial carrying amount of the asset and maximum value of the payments that the Company may be required to pay.

A financial liability should be removed from the balance sheet when the obligation underlying the liability is extinguished,cancelled or discharged. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss. If the change and exchange of the financial liabilities does not entail removal IFRS 9 establishes that the value of the financial liability must be redetermined by calculating the present value of cash flows renegotiated or modified discounting to the effective interest rate of the original financial instrument. Any difference between the carrying amount redetermined and the carrying amount of the original financial instrument must be immediately recognised as profit or loss for the year.

[5] IFRS 7 par. 29

## Cash and cash equivalents

These include cash, bank deposits or funds in other banks available for current transactions, post office current accounts and other equivalent valuables, as well as investments maturing within three months from the date of acquisition. Cash and cash equivalents are reported at fair value which normally coincides with their nominal value.

## Shareholders' equity

**Share capital**

The share capital is represented by subscribed and paid in capital. Costs strictly correlated to the issue of shares are classified as a reduction of share capital when they are costs directly attributable to the capital transaction.

**Retained earnings (losses carried forward)**

These include profit or loss on previous years for the part not distributed or allocated to reserve (in the case of profit) or covered (in the event of losses).

**Other reserves**

They are composed of reserves resulting from the first application of the international accounting standards and others of a financial nature.

**Other components of comprehensive income**

The items related to other components of comprehensive income (O.C.I.). - Other Comprehensive Income includes income components reported directly in the shareholders' Equity reserves according to the provisions of IFRS-EU in terms of their origin and changes.

The elements included in the comprehensive income statement of these financial statements are presented by nature and include the actuarial gains and losses from defined benefit plans determined by applying IAS 19.

## Financial liabilities

Financial liabilities are initially reported at fair value net of transaction costs and are later measured at amortised cost.

Any difference between the sum received (net transaction costs) and the nominal value of the payable is reported in profit or loss by applying the effective interest rate method.

The financial liabilities are classified as current liabilities, unless there is a contractual right to extinguish the obligations at least 12 months from the reporting date.

It should be noted that the Company has not designated any financial liabilities at fair value with income statement counterparty.

## Trade payables and other payables

Trade payables, with due date within normal commercial terms are not discounted and are reported at cost (identified by their nominal value).

## Income taxes

**Current taxes**

Current taxes for the year and those of the previous one are reported at the value expected to be paid to the tax authorities. The tax rates and laws used to calculate the amount are those substantially issued on the reporting date in the single countries where the Company works.

**Deferred tax liabilities**

Deferred taxes are calculated by adopting the so-called liability method applied to temporary differences, taxable or deductible, determined between the carrying amounts of the assets and liabilities and those that are fiscally relevant for the same purpose.

Deferred tax liabilities are reported against all the taxable temporary differences, with the exception of the case where:

- Deferred tax liabilities arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and which, at the time of the same transaction does not entail effects on profit for the year, calculated for the purposes of the balance sheet or loss calculated for tax purposes; "liabilities arising from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit and at the time of the transaction, does not give rise to equal taxable and deductible temporary difference"
- liabilities arising from temporary differences associated with investments in subsidiaries, branches, and associates, and interests in joint arrangements, but only to the extent that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting profit or taxable profit.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed annually at the end of each reporting period and a previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period

Deferred tax assets and liabilities are offset, if a legal right exists to offset assets for current taxes with liabilities for current taxes and deferred taxes refer to the same tax entity and same tax authority.

Income taxes (deferred and current) related to items reported in shareholders' equity are also reported in shareholders' equity and not in the income statement.

# Translation of items in foreign currency

The translation of currencies other than the functional currency are reported at the exchange rate existing on the transaction date. Monetary assets and liabilities denominated in a currency different from the euro are later adjusted to the exchange rate existing at the end of the reporting period. Non-monetary assets and liabilities denominated in a currency different from the euro are reported at historic cost using the exchange rate in effect on the initial date the transaction was reported.. Any exchange rate differences arising are reported in profit or loss.

# Employee benefits

**Benefits due to employees for early termination of employment**

Benefits due for the termination of employment are represented by an indemnity due to the employee after the undertaking's decision to terminate the employment of an employee before reaching retirement and employee’s decision to accept the voluntary dismissal in exchange for this indemnity.

These benefits must be reported as liabilities and cost at the earlier date between (i) the time when the Company can no longer take back the offer of such benefits; and (ii) the time when the Company recognises costs of a restructuring, part of the field of application of IAS 37, which implies payment of benefits due for termination of employment. These liabilities are measured based on the nature of the granted benefit. Specifically, if the granted benefits represent an improvement of other benefits after the termination of employment recognised to employees, the relative liability is measured according to the provisions contained in IAS 19 par. 50-60 “Post-employment benefit plans” Otherwise, the provisions to apply for measurement of post-employment benefits are differentiated based on the time period when such benefits will be liquidated:

- Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered (IAS 19 par.9-25);
- If the benefits are not going to be extinguished within 12 months after then end of the annual reporting period, the provisions for other long term benefits are applied (IAS 19 par.153-158).

**Post-employment benefits**

Liabilities arising from post-employment benefits guaranteed to employments, paid after the termination of employment through defined benefit plans are reported in the year the right matures consistent with the service necessary to obtain the benefits based on actuarial assumptions and net of any advances paid. Measurement of the liabilities is performed by external actuaries through the use of the “Projected unit credit method”.

In this area the following income components are reported in personnel costs in the profit (loss) statement of the year:

- Costs arising from current services the represent the actuarial estimates of the benefits due to employees based on the work performed during the period.
- The net interest cost that represents the change in the value of the liability during the liability during the period due to the passage of time; and
- Costs and income resulting from amendments to the defined benefit plans (“past service costs or income”) fully recognised in the period when the amendments are implemented.

Moreover, changes in the value of liabilities for defined benefit plans related to actuarial profit or loss, are entirely reported during the year matured in the section Other Comprehensive Income (OCI) of the comprehensive income statement.

Liabilities related to benefits guaranteed to employees, distributed at the time of or after the termination of employment through defined contribution plans, are reported for the amount matured at the end of the reporting period.

Liabilities related to other benefits to employees are reported for the amount matured at the end of the reporting period including actuarial assumptions of referred to medium-long term benefits.

**Remuneration plan based on Phantom stock option rights**

The Company, with a Board of Directors resolution of 22 September 2020 set up an Incentive Plan for top management that entails assignment at no consideration of Phantom Stock Option rights, when certain economic-financial goals are met.

## Provisions for risks and charges

Allocations to provisions for risks and charges are recognised when, on the reference date, there is a current obligation (legal or implicit) arising from a past event, if an disbursement of resources is probable to meet the obligation and can be effected by a reliable estimate of the amount of the obligation.

Allocations are reported for the value representative of the best estimate of that the undertaking would pay to extinguish the obligation or to transfer it to third parties at the end of the reporting period. If the effect of the cash value discount is significant, the allocations are determined by discounting future expected cash flows at a discount rate before taxes that reflects the current market measurement. When the discounting is performed, the increase in the allocation due to the passage of time is reported as a financial expense in the income statement.

## Revenue from contracts with customers

Revenue from contracts with customers are reported when the transfer of the control of the asset or service is transferred to the customer, which can happen over time or at a point in time.

Contracts that meet the requirements for reporting revenue over time are classified as “assets from contracts” or as “liabilities from contracts” based on ratio between the state of fulfilment of the service by the Company and payments received by the customer. In particular:

- The “net assets from contracts” represent the right to payment for goods or services that have already been transferred to the customer.
- The “net liabilities from contracts” represent the Company’s obligation to transfer the goods or services to the customer for which a payment has already been received (or the right to receive has already arisen).

If more than one performance obligation is present in the contract, represented a contractual promise to transfer to the customer a distinct good or service which are substantially the same and are transferred according to the same procedures), the classification between assets and liabilities is performed at overall level and not at single performance obligation.

Assets and liabilities arising from contracts with customers are recognised using the percentage of completion as the method for measurement of progress (paragraphs B14-B19 of IFRS 15 “methods based on inputs”); according to this method costs, revenue and the margin are recognised based on the progress of the asset, determined based on reference to the ratio between incurred costs at the measurement date and overall expected costs included in the relative order budgets. The Company systematically updates the assumptions used as a basis for the order budgets in order to reflect the estimate considered the most reasonable in terms of the matured contractual payments and earning of the order.

Vice versa, if the requirements are not met for recognition over a period of time, the revenue are reported at a certain time, or when the customer acquires control of the promised goods or services.

Assets arising from contracts are reported net of any provisions for loss. Updates of the estimates are periodically performed and any economic effects are reported during the year in which the updates are performed.

## Other operating revenue

The Company reports as Other operating revenue all of the economic components not directly related to the Company's main asset that are not from contracts with customers.

## Grants

Public grants are reported at fair value in the balance sheet, when a reasonable certainty exists that they will be received and all the conditions referred to them are met. When the grants are correlated to cost components, they are recognised as revenue, but are broken down systematically over the years in order to be commensurate to the costs they intend to offset. In the case where the grant is correlated to an asset, the fair value decreases the decrease of the same asset. It is also suspended in liabilities if the asset to which it is correlated has not entered service, or it is in the construction phase and the relative amount is not included in the value of the same asset.

## Financial income and expenses

Interest are recognised on an accrual basis with the effective interest method, using the interest rate that make incoming and outgoing flows financially equivalent (including any premiums, discounts, fees, etc.) that comprise a certain transaction. The financial expenses are capitalised where the conditions of IAS 23 are met.

## Dividends

These are recognised when the right arises for Shareholders to receive payment that normally corresponds to a shareholders' meeting resolution to distribute dividends The distribution of dividends to Shareholders us reported as a liability in the financial statements in the period when their distribution is approved by the Shareholders' Meeting and reflected as a change of shareholders' equity.

## Costs

Costs are reported on an accruals basis and with the prospect of the Company as a going concern.

## Earnings per share

Basic earnings per share are calculated by dividing the profit (loss) attributable to holders of Company ordinary shares by the weighted average of outstanding shares during the year, to take into account any treasury shares held. Diluted earnings per share are calculated by adjusting the profit (loss) attributable to holders of ordinary shares, as well as the weighted average of outstanding shares, ad defined above, to take into account all of the effects of all the potential ordinary shares with dilutive effect.

## Disclosure of business segments

The company works in a single sector, that of developing and selling cyber intelligence and cyber security products. In relation to this the company's activity is subject to reporting and analysis by management in unitary mode. Consequently, with reference to the requirements of IFRS 8 no business segment disclosures are provided (balance sheet and/or profit or loss) of business segments, since it is not applicable.

## Use of estimates

The preparation of the financial statements and notes thereto in accordance with the IFRS-EU requires estimates and assumptions to be made that impact the values of assets and liabilities and the disclosure of potential assets and liabilities.

It should be noted that the estimates are based on the most recent information that Management possesses at the time these financial statements are prepared, and do not effect their reliability. Estimates are used, interalia, to perform impairments tests and to report allocations for risks on receivables, order revenue, development costs, amortisation, asset writedowns, employee benefits, taxes and other allocations and provisions.

The actual results may differ from these estimates. The estimates and assumptions are reviewed periodically, and any changes are reflected in the income statement in the period when the change occurred..

## Accounting standards, newly issued interpretations, revisions and amendments to existing standards, not yet in effect or not yet adopted by the European Union

As required by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - the new accounting standards and interpretations are indicated below, as well as amendments to existing standards and interpretations already applicable, not in effect at the end of the reporting period, that could be applied in the future in the company's financial statements.

| Document title | Date issued | Date enacted | Date endorsed | EU Regulation and date of publication |
|---|---|---|---|---|
| **IAS/ IFRS and relative IFRIC interpretations applicable to financial statements of years starting after 1 January 2021, documents adopted by the EU at 31 December 2021** | | | | |
| Improvements to IFRS (2018-2020 cycle) (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) | May 2020 | 1 January 2022 | 28/06/2021 | (EU) 2021/1080<br>02/07/2021 |
| Property, plant and equipment - Proceeds before intended use (Amendments to IAS 16) | May 2020 | 1 January 2022 | 28/06/2021 | (EU) 2021/1080<br>02/07/2021 |
| Onerous contracts - Cost of fulfilling a contract (amendments to IAS 37) | May 2020 | 1 January 2022 | 28/06/2021 | (EU) 2021/1080<br>02/07/2021 |
| Reference to the Conceptual Framework (Amendments to IFRS 3) | May 2020 | 1 January 2022 | 28/06/2021 | (EU) 2021/1080 |

| | | | | |
|---|---|---|---|---|
| | | | | 02/07/2021 |
| **IAS/IFRS and relative IFRIC interpretations applicable to financial statements of years starting after 1 January 2021, documents NOT yet adopted by the EU at 31 December 2021** | | | | |
| IFRS 14 Regulatory Deferral Accounts | January 2014 | 1 January 2016 | Endorsement suspended until new accounting standard on “rate-regulated activities” is issued | |
| **Amendments** | | | | |
| Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020 | January 2020<br>July 2020 | 1 January 2023 | TBD | (EU) 2021/1080<br>02/07/2021 |
| Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2) | February 2021 | 1 January 2023 | TBD | (EU) 2021/1080<br>02/07/2021 |
| Definition of Accounting Estimates (Amendments to IAS 8) | February 2021 | 1 January 2023 | TBD | (EU) 2021/1080<br>02/07/2021 |
| Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12) | May 2021 | 1 January 2023 | TBD | (EU) 2021/1080<br>02/07/2021 |

**New documents issued by IASB and endorsed by the EU with mandatory adoption starting from financial statements starting 1 January 2021**

**Adoption of new standards applicable starting 1 January 2021 did not entail any effects.**

Amendments to IFRS 9, IAS 39, IFRS 7 concerning "Interest Rate Benchmark Reform" (phase 2) - extension beyond June 2021

Starting 1 January 2021, for the IBOR (Interbank Offered Rates) reform process, the document “Amendments to IFRS 9, IAS 39 and IFRS 17 is effective: Interest Rate Benchmark Reform – phase 2”, which for the measurement/definition of hedge relations of financial instruments affected by these rates: (1) clarifies that the replacement of the existing IBOR rate with the new risk free rate does not represent a derecognition event for assets and liabilities; (ii) introduces provisions on hedge accounting aimed at not creating discontinuity in existing hedge relations; (iii) requires quali-quantitative disclosures on the nature and risks connected with this reform, on managing these risk and on the progresses in the transition process to the new rates.

**Concessions on rent payments connected with COVID-19 after 30 June 2021 (Amendment to IFRS 16)**

With EU Regulation no. 2021/1421 of 30 August 2021, published in the Official Journal of the European Union of 31 August 2021, the Covid-19-Related rent concessions after 30 June 2021 (amendment to IFRS 16 Leasing)”, approved by the IASB Board on 31 March 2021 and which expanded the field of application of the practical expedient for reporting the rent concession obtained from lessors as a direct consequence of the Covid-10 pandemic. With the 2021 Amendment, IASB published some amendments to IFRS 16 which shifts the last date to use the practical expedient for measurement of lease contract, if payments were renegotiated after Covid-19 from 30 June 2021 to 30 June 2022. The lessee can decide to report the concession as a variable payment in the period when a lower payment is granted.

**IFRS- EU and relative IFRIC interpretations applicable to financial statements of years starting after 1 January 2021, documents adopted by the EU at 31 December 2021**

**Annual Improvements 2018-2020; IAS 16 Property, plant and equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Amendments to IFRS 3 – Business combinations**

On 14 May 2020 the IASB issued the document "Amendments to (i) IFRS 3 Business Combinations; (ii) IAS 16 Property, Plant and Equipment; (iii) IAS 37 Provisions, Contingent Liabilities and Contingent Assets (iv) Annual Improvements to IFRS Standards 2018-2020" which became effective on 1 January 2022. In particular: (I) with the "Amendments to IFRS 3 Business Combinations" IASB updated the reference Conceptual Framework in the revised version, without making amendments to the standard provisions; (ii) through "Amendments to IAS 16 Property, Plant and Equipment" IASB introduced a few explanations, in particular on how it is not allowed to deduct the amount received from the sale of products before the asset is ready for use from the cost of the asset. This revenue from sales and relative costs, must therefore be reported in the income statement; (ii) with "Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets" IASB clarified which cost items must be considered to assess whether a contract constitutes an onerous contract; (iv) lastly, through "Annual Improvements to IFRS Standards 2018–2020" changes were made to IFRS 9 Financial Instruments, clarifying that when the "10 percent" test is performed, in assessing whether the changes made to a financial liability are relevant (and, thus, entail derecognition) only the fees paid or received between the entity and provider must be included.

**IFRS- EU and relative IFRIC interpretations applicable to financial statements of years starting after 1 January 2021, documents NOT yet adopted by the EU at 31 December 2021**

**Amendments to IAS 1 - Presentation of financial statements - Classification of liabilities as current or noncurrent**

On 23 January 2020 IASB issued the document "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current", clarifying the methods to use in order o determine if liabilities must be classified as current or noncurrent. The provisions are effective from financial years starting on or after 1 January 2023. The amendments are aimed at promoting consistency between the application of the requirements by helping companies to determine if the payables, and other liabilities with an uncertain settlement date, must be classified as current (due or potentially to be paid within the year) or noncurrent. They also include clarifications regarding the classification requirements for payables that an entity may extinguish by conversion to equity instruments.

**Amendments to IAS 1 - Presentation of the financial statements and IFRS Practice Statement 2: Presentation of accounting standards**

IASB issued the document "Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)" on 12 February 2021 with the aim of indicating the accounting standards to illustrate in the financial statements. The amendments are effective for financial years starting on or after 1 January 2023 and work as follows: (I) the notes to the financial statements illustrate the relevant accounting standards instead of the significant accounting standards; (ii) the information on accounting standard are relevant if the financial statement users need them to understand other relevant information in the financial statements; (iii) the information on irrelevant accounting standards must not obscure the information on relevant accounting standards.

**Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: definition of accounting estimates**

IASB issues the document "Definition of Accounting Estimates (Amendments to IAS 8)" on 12 February 2021. The amendments to IAS 8 are effective for financial years starting on or after 1 January 2023. They clarify that: (1) accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty"; (ii) an accounting

policy may require items in financial statements to be measured in a way that involves measurement uncertainty; (iii)  hat change may result from new information or new developments and is not necessarily the correction of an error. In addition, the effects of a a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors; (iv) a change in an accounting estate may affect only the profit or loss of the current year or the profit or loss of both the current year and future ones. The effect of a change related to the current year is recognised as income or an expense in the current year. Any effect on future periods is recognised as income or expense in such future periods.

**Amendments to IAS 12 - Income taxes: deferred Tax related to Assets and Liabilities arising from a Single Transaction**

IASB issued the document "Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments to IAS 12)" on 07 May 2021 to clarify that the exception under IAS 12.15(b) and IAS 12.24 for recognising deferred tax accounting for leases and decommissioning obligations do not apply. The amendments are effective for financial years starting on or after 1 January 2023. Early adoption is permitted.

For all the newly issued standards, as well as for revisions and amendments to existing standards, The company is assessing possible impacts currently not reasonably estimable arising from their future application.

# Explanatory Notes to the Financial Statements

## 1 Operating Revenue: €17,038,384 (€12,561,557)

| (in €) | Year closed at 31 December | |
|---|---|---|
| **Category** | **2021** | **2020** |
| Revenues from sales and services | 15,730,583 | 13,023,827 |
| Change in contract w ork in progress | 1,307,801 | (462,270) |
| **Total operating income** | **17,038,384** | **12,561,557** |

Operating revenue show an increase of €4,476,827 over the previous year (equal to 36%). This increase is strictly connected to the high operating capacity the company demonstrated during the year both in terms of order intake and deliver to customers. The main projects that made it possible to reach this increase in revenue compared to the previous year are linked to the sale of proprietary software license, both the government bodies and corporations. The year 2021 also benefited from the effect of a series of contract work in progress started in 2020 that were completed during the year.

The positive change of contract work in progress in 2021 totalled €1,307,801 and is related to progress on orders mainly acquired during the last quarter of the year and not yet invoiced.

In particular, the positive change of contract work in progress is the result of progress on an existing order with a big Italian corporation working in the High Tech sector, with a contractual value equal to €1.9 million, and an order for the supply of Cyber Intelligence and Cyber Security technologies to an international customer, for a contractual value of €2.3 million.

The table below shows the composition of revenue recognised “at point in time” (i.e. When the good/service is delivered) or “over time”:

| €/000 | Revenue from sales and services | Change in contract work in progress |
|---|---|---|
| Revenue recognised at point in time | 11,272 | - |
| Revenue recognised over time | 4,459 | 1,293 |
| **Total** | **15,731** | **1,293** |

Lastly, the breakdown by geographic area is sown, based on the contractual counterparty of revenue invoiced at 31 December 2021:

| County | Revenue from sales and services (€/000) |
|---|---|
| Italy | 13,132 |
| Mexico | 504 |
| Netherlands | 1,500 |
| Spain | 595 |
| **Total** | **15,731** |

At 31 December 2021 the aggregate amount of the contractual payment of contracts in progress allocated to performance obligations not yet performed totals €2,896,900. The company plans to recognise these amounts in revenue in future periods consistent with available provision.

## 2. Other operating revenue: €878,558 (€362,925)

| (in €) | Year closed at 31 December | |
|---|---|---|
| **Category** | **2021** | **2020** |
| R&D tax credit | 732,848 | 306,685 |
| Advertising tax credit | - | 52,500 |
| Grants | 51,588 | - |
| Others | 94,123 | 3,741 |
| **Total other income and revenues** | **878,558** | **362,925** |

The other revenue and income are mainly related to tax credit for Research and Development for €732,848, operating grants for €31,575 related to projects financed by the European Commission and for €20,013 related to a tax credit for the purchase of instrumental assets Law 178/20 reported with the indirect method. Other items, totalling €94,123, mainly contain non-recurring assets for the release of some provisions performed in previous years.

## 3 Costs for purchases and personnel: €9,553,720 (€5,645,844)

The table below shows the breakdown of costs for purchases and personnel:

| (in €) | Year closed at 31 December | |
|---|---|---|
| **Category** | **2021** | **2020** |
| Costs for raw and subsidiary materials, consumables and goods | 930,275 | 569,028 |
| Change in inventories | 184,500 | - |
| **Total costs for purchases** | **1,114,775** | **569,028** |
| Consultation | 1,723,121 | 902,433 |
| Third party supplier services on orders | 289,803 | 248,740 |
| Commercial services | 440,579 | 97,453 |
| Compensation for Directors | 205,388 | 214,986 |
| General and administrative services | 136,601 | 64,334 |
| Other costs | 1,368,772 | 1,503,968 |
| Leasing | 540,119 | 153,848 |
| **Total services** | **4,704,383** | **3,185,762** |
| Wages and salaries | 4,702,066 | 2,843,808 |

| | | |
|---|---|---|
| Social security expenses | 1,448,090 | 801,354 |
| Post-employment benefits | 197,365 | 123,454 |
| Employee pensions and similar obligations | 119,899 | 50,241 |
| Other costs | 132,651 | 512,659 |
| **Total personnel costs** | **6,600,071** | **4,331,515** |
| **Capitalised costs for development activities** | **(2,865,510)** | **(2,440,461)** |
| **Total costs for purchases and personnel** | **9,553,720** | **5,645,844** |

## 3.1 Costs for purchases: €1,114,775 (€569,028)

The costs for raw materials show an increase totalling €545,747 (+96%) strictly connected to the Company's business that in 2021, on specific projects, was characterised by a higher incidence of direct purchases of hardware components. Net of these projects the incidence of costs for purchases on revenue would have been basically in line with the historic trend. The change is inventories reported a value of €184,500, entirely referred to the use of Cogito licenses arising from a contract signed with Expert System S.p.A. (VAR – Value Added Reseller) in 2020.

## 3.2 Costs for services: €4,704,383 (€3,185,762)

The costs for services increased compared to the previous year of €1,518,621 (+48%) this rise in connected to the increase in business volumes reported in the year.

The item mainly contains costs for engineering consultation which the Company used for project delivery (€1,723,121), commercial services (€440,579), costs for third party supplier services on some orders (€289,803), directors' fees (for €205,388).

The increase in relation to the comparative figure is equal to €1,518,621, primarily related to consultation (for €820,688) in line with the increase in business volumes and activities performed on development projects. Lastly, it should be noted that the item also includes costs for leased assets related to lease contracts not within the scope of IFRS 16 because of a low value, short duration or relative to variable payments.

The item also contains payments for auditing the financial statements and half year interim report for €46,000, as well as payments for tax certification provided by the auditor totalling €12,500.

## 3.3 Personnel costs: €6,600,071 (€4,331,515)

The increase of personnel costs for €2,268,557 confirms the reinforcement, occurring during 2021 in the structure and sales force, in order to consolidate the Company's presence in strategic markets, both by the Development technician team and delivery to support the increase in business volumes.

### 3.3.1 Number of employees

The table below shows the breakdown of the Company's staff

| | Executives | Middle managers | Office employees | Apprentices | Total |
|---|---|---|---|---|---|
| 31.12.20 | 6 | 9 | 54 | | **69** |
| income (+) | 4 | 3 | 26 | 4 | **37** |
| transformations | | 1 | (1) | | **0** |
| outputs (-) | (2) | | (11) | | **(13)** |
| 31.12.21 | 8 | 13 | 68 | 4 | **93** |

The average head count for 2021 totalled 83.36.

| | Executives | Middle managers | Office employees | Total employees |
|---|---|---|---|---|
| **Average number** | **7** | **12.75** | **63.61** | **83.36** |

## 3.4 Capitalised costs for development activities: €2,865,510 (€2,440,461)

Capitalised costs for development activities total €2,865,510. For additional details see the extensive discussion in Note 9 of these financial statements.

# 4 Depreciation, writedowns and value adjustments of financial assets: €3,622,584 (€1,847,927)

| (in €) | Year closed at 31 December | |
|---|---|---|
| **Category** | **2021** | **2020** |
| Amortisation intangible assets | 2,924,364 | 1,130,002 |
| Depreciation Property, plant and equipment | 244,924 | 192,396 |
| Right-of-use amortisation | 226,115 | 224,743 |
| Allocation to provision for product warranty | 110,394 | 208,382 |
| Allocation to loss allowance | 116,787 | 92,404 |
| **Total** | **3,622,584** | **1,847,927** |

Amortisation of intangible assets (€2,924,364) mainly refer to portions of amortisation related to capitalised development costs (€1,741,154) and those of software licenses (€1,089,448).

Depreciation of property, plant and equipment (€244,924) refer to portions for electronic office machines (€130,712) and equipment (€61,035) used in the Company's ordinary business.

The item also contains amortisation of rights of use for €226,115 arising from application of the IFRS 16 accounting standard.

Allocation for the year to the provision for product warranty in the year (€110,394) were allocated against licence sales contracts which require a legal warranty. The estimate is mainly made by management based on the historic experience of interventions expected to be performed by CY4 personnel on sold software products. The increase in the year is in line with business volumes for the products which contractually require Cy4's commitment for the warranty.

Lastly, the balance of writedowns (€116,787) contains adjustments made following management evaluations on the possibility to recover financial assets reported at the end of the reporting period, in line with the provisions of IFRS 9 concerning impairment. The increase for the year is consequent to the increase in revenue of the Company and the corresponding trade receivables versus what was reported on 31 December 2020.

## 5 Other operating costs: €129,510 (€66,732)

| (in €) | Year closed at 31 December | |
|---|---|---|
| Category | 2021 | 2020 |
| Various consumables | 13,810 | 9,735 |
| Membership dues | 40,571 | - |
| Routine maintenance | 42,359 | - |
| Other operating costs | 32,769 | 56,997 |
| **Other operating costs** | **129,510** | **66,732** |

The item other operating costs mainly refers to routine maintenance and repair services (€42,359) incurred for the new leased offices where CY4 employees were transferred starting in October 2021, membership dues (€40,571) including the costs for the Women4Cyber project, which represents the Italian chapter of the European foundation Women4Cyber founded in January 2019 as part of ECSO - European Cybersecurity Organization, with the aim of filling the gender gap of professionals in cyber security at European level.

## 6 Net financial income (expenses): €72,461 (€87,789)

| (in €) | Year closed at 31 December | |
|---|---|---|
| Category | 2021 | 2020 |
| Financial income | 5,524 | 1112 |
| Financial expense | (77,984) | (88,901) |
| **Total financial income (expense)** | **(72,461)** | **(87,789)** |

Financial income refers entirely to gains on foreign exchange.

Financial expenses primarily includes losses on foreign exchange (€11,539) interest expense of shareholder loans (€9,858) bank fees (€7,246) and non-recurring liabilities (€40,139).

# 7 Taxes: €647,161 (€5,790)

| (in €) Category | Year closed at 31 December 2021 | 2020 |
|---|---|---|
| Current IRAP tax | (35,000) | (4,558) |
| Deferred tax liabilities | 682,160 | 10,348 |
| **Total taxes** | **647,160** | **5,790** |

The item contains the balance of taxes for the year for the current IRAP (regional) tax (€35,000).

Mainly due to the benefit connected with the Patent Box the Company estimates that it will not have to pay IRES (corporate) tax for 2021 against a tax loss of 2021 totalling approximately €450 thousand.

The item deferred taxes contains the recognition of deferred tax assets for €682,160 primarily in relation to tax losses mature, to the economic benefit of ACE not used by 31 December 2021 and taxed provisions, as well as deferred tax liabilities equal to negative €1,123 related to temporary differences recognised when determining the tax burden for the year.

The table below shows the breakdown of deferred tax assets totalling €716,696.

| (in €) | Year closed at 31 December | | 01 Jan. |
|---|---|---|---|
| Category | 2021 | 2020 | 2020 |
| **Deferred tax assets from:** | | | |
| Tax losses | 183,394 | - | - |
| ACE (Aiuto alla Crescita Economica) | 355,415 | - | - |
| Taxed provisions | 137,219 | - | - |
| IFRS-EU transition | 35,659 | 95,650 | 82,236 |
| Other minor | 5,009 | | |
| **Deferred tax liabilities from:** | | | |
| IFRS-EU transition | - | (38,020) | (48,110) |
| **Total deferred tax assets** | **716,696** | **57,630** | **34,126** |

Deferred tax assets are primarily reported against tax losses arising in previous years, the ACE economic benefit not used during the year, temporary differences recognised when determining the tax burden for the year and previous years. It should be noted that these deferred tax assets were recognised during 2021 following an evaluation made by the directors on their complete possibility of recovery through expected future taxes that the Company will be able to realise in future years.

The table below shows the changes in deferred tax assets and liabilities:

| (in €) | Year closed at 31 December | |
|---|---|---|
| Category | 2021 | 2020 |
| **Net deferred tax assets/liabilities at beginning of year** | 57,630 | 34,126 |
| Allocations (used) recognised in the Statement of Profit or Loss | 682,161 | 10,347 |
| Allocations (used) recognised in the Statement of Comprehensive Income | (23,095) | 13,157 |
| **Net deferred tax assets/liabilities at end of year** | **716,696** | **57,630** |

# 8 Earnings (loss) per share: €0.35 (€0.35)

The determination of the earnings per share (EPS) totals €0.35 calculated by dividing the net income (€5,185,828) by the average number of shares in the reference period (15,000,000).

# 9 Intangible assets: €7,524,937 (€3,720,165)

| (in €) | Year closed at 31 December | | 01/01/2020 |
|---|---|---|---|
| Category | 2021 | 2020 | |
| Development costs | 3,833,161 | 2,708,805 | 1,125,237 |
| Industrial patent rights and intellectual property rights | 3,580,758 | 370,164 | 38,749 |
| Concessions, licences, trademarks and similar rights | 66,680 | 133,340 | - |
| Intangible assets in progress and advances | - | 489,532 | - |
| Others | 44,339 | 18,324 | 3,897 |
| **Total intangible assets** | **7,524,937** | **3,720,165** | **1,167,882** |

Intangible assets reported at 31 December 2021 show a net increase compared to the previous year totalling €3,804,772 due to increases during the year for €6,729,137 and amortisation for €2,924,363. In detail, capitalisations refer to development costs (€2,865,510), costs for industrial patent and intellectual property rights (€1,574,013).

The table below shows a summary related to changes in intangible assets.

## Changes 2021

| (in €) Category | Historic cost at 31 Dec 2020 | Accumulated depreciation at 31 Dec. 2020 | Net value at 31 Dec 2020 | Increases 2021 | Decreases 2021 | Reclassifications | Historic cost at 31 Dec 2021 | Amortisation 2021 | Net accumulated amortisation at 31 December 2021 | Value at 31 Dec 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Development costs | 3,790,799 | (1,081,994) | 2,708,805 | 2,865,510 | - | - | 6,656,308 | (1,741,154) | (2,823,147) | 3,833,161 |
| Industrial patent rights | 613,027 | (242,863) | 370,164 | 3,820,508 | - | 489,532 | 4,923,068 | (1,099,447) | (1,342,310) | 3,580,758 |
| Concessions, licences, trademarks and similar | 200,000 | (66,660) | 133,340 | - | - | - | 200,000 | (66,660) | (133,320) | 66,680 |
| Intangible assets in progress and advances | 489,532 | - | 489,532 | - | - | (489,532) | - | - | - | - |
| Others | 37,574 | (19,250) | 18,324 | 43,119 | - | - | 80,692 | (17,103) | (36,353) | 44,339 |
| **Intangible fixed assets** | **5,130,932** | **(1,410,767)** | **3,720,165** | **6,729,136** | **-** | **-** | **11,860,069** | **(2,924,363)** | **(4,335,131)** | **7,524,938** |

Intangible assets are primarily composed of:

- Development costs for €3,833,161 (€6,656,308net amortisation for the year for €1,741,154) these costs are related to the development of five projects. Following appropriate analyses the Directors decided that the costs in question had all of the requirements for the relative capitalisation. Development costs include capitalised expenses for employees and external technical consultants used directly in the development activity for a total of €2,855,510. Amortisation of these capitalised costs occurs in a time frame consistent with the estimates on the recovery times of the investments made. Since these development ended in the second half of the year for the first year half of the amortisation rate was used.
- Industrial patent rights and intellectual property rights for €3,580,758 (€4,923,068 net amortisation of the year for €1,099,447) the increase of which is related to the purchase of licences during the year.

## Changes 2020

| (in €) Category | Historic cost at 1 Jan. 2020 | Accumulated depreciation at 1 Jan. 2020 | Net value at 1 Jan. 2020 | Increases 2020 | Rec. Historical Cost | Rec.Depreciation provision | Historic cost at 1 Jan. 2020 | Depreciation 2020 | Net accumulated amortisation at 31 Dec. 2020 | Value at 31 Dec. 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Development costs | 1,350,338 | (225,101) | 1,125,237 | 2,440,461 | - | - | 3,790,799 | (856,893) | (1,081,994) | 2,708,805 |
| Industrial patent rights | 1,140,785 | (1,102,036) | 38,749 | 526,158 | (1,053,915) | 1,053,915 | 613,027 | (194,743) | (242,863) | 370,164 |
| Concessions, licences, trademarks | 221,200 | (221,200) | - | 200,000 | (221,200) | 221,200 | 200,000 | (66,660) | (66,660) | 133,340 |
| Intangible assets in progress and advances | - | - | - | 489,532 | - | - | 489,532 | - | - | 489,532 |
| Others | 11,440 | (7,543) | 3,897 | 26,134 | - | - | 37,574 | (11,707) | (19,250) | 18,324 |
| **Intangible fixed assets** | **2,723,763** | **(1,555,880)** | **1,167,883** | **3,682,284** | **(1,275,115)** | **1,275,115** | **5,130,932** | **(1,130,002)** | **(1,410,767)** | **3,720,165** |

# 10 Property, plant and equipment: €709,242(€639,283)

| (in €) | Year closed at 31 December | | 01/01/2020 |
|---|---|---|---|
| Category | 2021 | 2020 | |
| Plant and machinery | 26,236 | 20,860 | 14,013 |
| Industrial and commercial equipment | 105,406 | 166,441 | 227,476 |
| Other assets | 577,600 | 451,982 | 337,324 |
| **Total Property, plant and equipment** | **709,242** | **639,283** | **578,813** |

Property, plant and equipment reported at 31 December 2021 total €709,242 and show a net increase compared to the previous year totalling €69,960 due to capitalisations during the period for a total of €314,883, mainly connected with the costs incurred for the necessary improvement of IT infrastructure and digital laboratories for product development performed during 2021, as well as the purchase of computers for new employees hired during the year and depreciation for €244,924 accruing during the period.

The table below shows a summary related to changes in Property, plant and equipment.

## Changes 2021

In terms of the changes in property, plant and equipment, it should be noted that the increases reported in 2021 primarily refer to electronic office machines and other residual amounts.

| Category | Historic cost at 31 Dec 2020 | Accumulated depreciation at 31 Dec. 2020 | Net value at 31 Dec 2020 | Increases 2021 | Decreases 2021 | Reclassifications | Historic cost at 31 Dec 2021 | Amortisation 2021 | Net accumulated amortisation at 31 December 2021 | Value at 31 Dec 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Plant and machinery | 37,642 | (16,782) | 20,860 | 15,650 | - | - | 53,292 | (10,274) | (27,056) | 26,236 |
| Industrial and commercial equipment | 406,900 | (240,459) | 166,441 | - | - | - | 406,900 | (61,035) | (301,494) | 105,406 |
| Other assets | 747,834 | (295,852) | 451,982 | 299,233 | - | - | 1,047,067 | (173,615) | (469,468) | 577,600 |
| **Total Property, plant and equipment** | **1,192,377** | **(553,094)** | **639,283** | **314,883** | **-** | **-** | **1,507,260** | **(244,924)** | **(798,018)** | **709,242** |

## Changes 2020

| (in €) Category | Historic cost at 1 Jan. 2020 | Accumulated depreciation at 1 Jan. 2020 | Net value at 1 Jan. 2020 | Increases 2020 | Decreases 2020 | Reclassifications | Historic cost at 31 Dec 2020 | Depreciation 2020 | Net accumulated amortisation at 31 December 2020 | Value at 31 Dec. 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Plant and machinery | 23,171 | (9,158) | 14,013 | 14,471 | - | - | 37,642 | (7,624) | (16,782) | 20,860 |
| Industrial and commercial equipment | 406,900 | (179,424) | 227,476 | - | - | - | 406,900 | (61,035) | (240,459) | 166,441 |
| Other assets | 514,003 | (176,679) | 337,324 | 240,869 | (7,038) | 4,563 | 747,834 | (123,736) | (295,852) | 451,982 |
| **Total Property, plant and equipment** | **944,074** | **(365,261)** | **578,813** | **255,340** | **(7,038)** | **4,563** | **1,192,377** | **(192,396)** | **(553,094)** | **639,283** |

# 11 Right of use: €2,032,516 (€450,910)

| (in €) | Year closed at 31 December | | 01/01/2020 |
|---|---|---|---|
| Category | 2021 | 2020 | |
| Buildings | 1,829,548 | 193,231 | 315,271 |
| Hardware | 122,386 | 185,562 | 266,735 |
| Cars | 80,582 | 72,117 | 15,471 |
| **Total right of use** | **2,032,516** | **450,910** | **597,477** |

In application of the accounting standard IFRS 16 "Leasing" right of use for €597,477 was reported at 01 January 2020. The item increased during 2020 and 2021 due to the stipulation of new contracts partly offset by contractual changes ad amounts of amortisation.

As previously described the Company decided to exclude leases with a term less than 12 months and those for assets with a low value from the scope. However, their values are reported in the item "Costs for purchases and personnel".

At 31 December 2021 the amount of existing right for use totalled €2,032,516 mainly related to leasing of new offices (€1,829,548).

The amortisation period for right of use is 6 years for buildings, 5 years for hardware and 4 years for cars.

## Changes 2021

| (in €) Category | Historic cost at 31 Dec 2020 | Accumulated depreciation at 31 Dec. 2020 | Net value at 31 Dec 2020 | Increases 2021 | Decreases 2021 | Historic cost at 31 Dec 2021 | Amortisation 2021 | Net accumulated amortisation at 31 December 2021 | Net value at 31 Dec 2021 |
|---|---|---|---|---|---|---|---|---|---|
| Buildings | 315,271 | (122,040) | 193,231 | 1,859,541 | (152,550) | 2,022,261 | (70,673) | (192,713) | 1,829,548 |
| Hardware | 266,735 | (81,173) | 185,562 | - | - | 266,735 | (63,176) | (144,349) | 122,386 |
| Cars | 93,647 | (21,530) | 72,117 | 39,430 | - | 133,076 | (30,965) | (52,494) | 80,582 |
| **Total right of use** | **675,652** | **(224,743)** | **450,909** | **1,898,970** | **(152,550)** | **2,422,072** | **(164,813)** | **(389,556)** | **2,032,516** |

## Changes 2020

| (in €) Category | Historic cost at 1 Jan. 2020 | Accumulated depreciation at 1 Jan 2020 | Net value at 1 Jan. 2020 | Increases 2020 | Decreases 2020 | Historic cost at 31 Dec 2020 | Depreciation 2020 | Net accumulated amortisation at 31 December 2020 | value at 31 Dec 2020 |
|---|---|---|---|---|---|---|---|---|---|
| Buildings | 315,271 | - | 315,271 | - | - | 315,271 | (122,040) | (122,040) | 193,231 |
| Hardware | 266,735 | - | 266,735 | - | - | 266,735 | (81,173) | (81,173) | 185,562 |
| Cars | 15,471 | - | 15,471 | 78,176 | - | 93,647 | (21,530) | (21,530) | 72,117 |
| **Total right of use** | **597,477** | **-** | **597,477** | **78,176** | **-** | **675,652** | **(224,743)** | **(224,743)** | **450,910** |

# 12 Non-current financial assets: €6,000 (€21,000)

| (in €) | Year closed at 31 December | | 01/01/2020 |
|---|---|---|---|
| Category | 2021 | 2020 | |
| ELT security deposits | 6,000 | 6,000 | 6,000 |
| Receivables from others | - | 15,000 | - |
| **total non-current financial assets** | **6,000** | **21,000** | **6,000** |

Non.current financial assets refer to security deposits with Elettronica for the rent of the building used for the Company's offices.

# 13 Other non-current assets: €621,199 (€22,440)

| (in €) | Year closed at 31 December | | 01/01/2020 |
|---|---|---|---|
| Category | 2021 | 2020 | |
| Tax assets | 621,199 | 22,440 | - |
| **Total other non-current assets** | **621,199** | **22,440** | **-** |

Other non-current assets are primarily composed by a tax credit for research and development (€590,794) tax credit for the purchase of capital assets Law 178/20 for the sole portion that will be offset starting from 2023 (€30,405) according to current tax laws.

## 14 Inventories €66,500 (€251,000)

| (in €) Category | Year closed at 31 December 2021 | 2020 | 1 January 2020 |
|---|---|---|---|
| Finished products and goods | 66,500 | 251,000 | 251,000 |
| **Total inventories** | **66,500** | **251,000** | **251,000** |

Inventories of finished products and goods total €66,500 and refer to third party licences used on sales orders.

## 15 Assets and liabilities from contract

## Assets from contract: €1,542,489 (€608,157)

## Liabilities from contract: €65,252 (€1,677,470)

Assets from contracts include the net value of assets performed for amounts greater than the advances received from customers. Likewise, liabilities from contracts include the opposite case.

If the advances are not collected by the reporting date the corresponding value is reported in trade receivables.

The net value of assets from contracts is composed as follows:

| (in €) Category | Year closed at 31 December 2021 | 2020 | 01/01/2020 |
|---|---|---|---|
| Contract work in progress | 1,846,938 | 650,425 | 1,029,284 |
| Advances | (300,000) | (41,800) | (697,049) |
| Loss allowance | (4,449) | (468) | (398) |
| **Assets from contracts** | **1,542,489** | **608,157** | **331,836** |
| Advances | (309,008) | (1,809,938) | (1,407,000) |
| Contract work in progress | 243,756 | 132,468 | 187,880 |
| **Liabilities from contracts** | **(65,252)** | **(1,677,470)** | **(1,219,120)** |
| **(A - B). Net value** | **1,477,237** | **(1,068,845)** | **(887,284)** |

The change in liabilities from contracts is mainly affected by the closing of a foreign government project, for which the company had issued an advance payment invoice totalling €1,198,000 during 2018 reported as an equivalent item of the trade receivables item.

Due to problems linked to the customer, the order in question never started up until closing of the relative contractual relations with the customer during 2021 thanks to a final release of the guarantees issued by the company based on agreements stipulated in 2018 and against which the aforesaid advance payment had been issued. Consequently, the Company closed the advance against the trade receivable reported without any effect on profit or loss for the year.

The increase in assets from contracts during the year mainly results from advances on an order with a big Italian corporation working in the High Tech sector and on an order for the supply of Cyber Intelligence and Cyber Security technologies to an international customer.

## 16 Trade Receivables: €23,585,605 (€15,485,805)

| (in €) Category | Year closed at 31 December 2021 | 2020 | 1 January 2020 |
|---|---|---|---|
| With customers | 19,428,119 | 13,370,508 | 5,207,980 |
| With parent companies | 4,464,820 | 2,309,673 | 997,600 |
| Loss allowance | (307,333) | (194,376) | (103,059) |
| **Total trade receivables** | **23,585,605** | **15,485,805** | **6,102,521** |

Trade receivables amount to a total of €23,585,605, €16,872,361 are due from national customers, €1,796,314 from foreign customers and €4,464,820 from the parent company Elettronica S.p.A. The item also includes the loss allowance for €307,333. The loss allowance for trade receivables includes accumulated impairment estimated by applying the international accounting standard IFRS 9. For information related to the management of credit risk see Note 30.3 in these explanatory notes.

The increase of the value of trade receivables is directly connected to the growth in revenue as extensively discussed in the explanatory note dedicated to the Company's operating revenue.

## 17 Tax Assets: €929,351 (€415,424)

| (in €) Category | Year closed at 31 December 2021 | 2020 | 1 January 2020 |
|---|---|---|---|
| Receivables from tax authorities for VAT | 457,210 | 21,970 | 473,887 |
| Receivables from tax authorities for IRAP | 29,254 | - | - |
| Receivables from tax authorities for IRES | 1,029 | 1,029 | 1,029 |
| Research and Development tax credits | 346,511 | 306,685 | 458,064 |
| Tax credits capital assets | 85,067 | 26,083 | - |
| Advertising tax credits | - | 52,500 | - |
| Others | 10,281 | 7,158 | - |
| **Total tax assets** | **929,351** | **415,424** | **932,980** |

Tax assets are mainly composed of tax credits in research and development (€346,511) reported against investments made and credit due from the tax authority for VAT (€457,210).

## 18 Other current assets: €1,243,057 (€372,878)

| (in €) | Year closed at 31 December | | 1 January |
|---|---|---|---|
| Category | 2021 | 2020 | 2020 |
| Downpayments for transition costs | 900,684 | - | - |
| Other credits | 58,519 | 32,381 | 1,516 |
| Prepaid expenses | 284,763 | 341,398 | 131,505 |
| Loss allowance | (909) | (901) | (27) |
| **Total other current assets** | **1,243,057** | **372,878** | **132,994** |

Other current assets:primarily refer to transaction costs (€900,684) incurred for the purpose of the acquisition transaction of the Aurora Group.

As described at length in the Report on Operations, on 16 December 2021 CY4Gate implementing a Board of Directors' resolution on the same date, signed a preliminary purchase contract for 100% of the share capital of Aurora S.p.A., as well as publication of the information document of the acquisition and entity resulting from the same, required by the Euronext Growth Issuers' Regulation in order to provide shareholders with sufficient information on the acquisition transaction.

These assets mainly include payments for legal and financial consultation services for €375,098, auditing and certification services requested from the auditor with reference to the information document RTO (Reverse Take Over) prepared applying the requirements of article 14 of the Euronext Growth Issuers' Regulation for €370,000 and financial and fiscal due diligence services for €116,000.

The acquisition is expected to close in the first quarter of 2022. In application of the reference accounting standards the ancillary expenses of the transaction incurred for the described transaction were considered equal to a prepaid asset and reported in other current assets.

The remaining part of other current assets refer to prepaid expenses (€284,763) recognised to adjust costs accruing in the future years mainly for consultation, insurance and payments for software licences used on internal infrastructure.

## 19 Cash and cash equivalents: €2,297,858 (€9,982,277)

| (in €) | Year closed at 31 December | | 01/01/2020 |
|---|---|---|---|
| Category | 2021 | 2020 | |
| Bank and postal deposits | 2,296,631 | 9,982,269 | 1,398,294 |
| Cheques | - | - | - |
| Cash and valuables on hand | 1,276 | 216 | 70 |
| Loss allowance IFRS9 | (49) | (209) | (65) |
| **Total cash and cash equivalents** | **2,297,858** | **9,982,277** | **1,398,298** |

The amount of cash and cash equivalents at 31 December 2021 was mainly generated by net cash flows realised by the Company during the year. The decrease compared to the previous year is strictly correlated to investments made by the Company during the year through proceeds of the Euronext Growth market listing, occurring in 2020, which benefited from the cash and cash equivalents of the previous year.

It should also be noted that Cy4’s cash and cash equivalents do not include locked up sums.

# 20 Shareholders’ equity: €30,254,839 (€24,995,876)

| (in €) Category | Year closed at 31 December 2021 | 2020 | 01/01/2020 |
|---|---|---|---|
| Share capital | 481,500 | 481,500 | 321,000 |
| Share premium reserve | 19,499,944 | 19,499,944 | 3,910,444 |
| Other Reserves | (1,140,918) | (1,217,764) | (96,039) |
| Retained earnings losses carried forw ard | 6,228,486 | 950,215 | (808,999) |
| Profit (loss) for the year | 5,185,828 | 5,281,981 | 1,851,804 |
| **Total shareholders' equity** | **30,254,839** | **24,995,876** | **5,178,209** |

The share capital: subscribed and paid in at 31 December 2021 totals €481,500 and is composed of 15,000,000 shares entirely subscribed and released from par value equal to 0.0321 each, divided as follows:

- No. 8,093,531 ordinary shares, subscribed for a par value totalling €€259,802 owned by Società Elettronica S.p.A. and a share premium totalling €3,910,444.
- No. 6,906,469 ordinary shares listed on EGM (Euronext Growth Milan, previously AIM Italia) subscribed for a par value of €221,698 and share premium equal to €15,589,500 held by the other shareholders on the market.

The share premium reserve is thus equal to €19,499,944.

It should be noted that the number of outstanding shares totals 15,000,000 which has not changed compared to the previous year.

Other reserves total €1,140,918 at 31 December 2021 and are composed of:

- FTA reserve for €96,039 which includes adjustments made following the first application of the international accounting standards;
- legal reserve for €96,300 increased during the year due to the allocation of 5% of the previous year profit totalling €3,710;
- Reserve for ancillary expense for the share capital increase for €1,172,651 that includes, in line with IAS 23, recognition of ancillary expenses for the listing transaction of CY4 on the Euronext Growth Milan market in June 2020;
- Other components of comprehensive income for €41,410 the contains the effects of the actuarial calculation according to IAS 19 which discount a fiscal effect of an amount equal to €9,938.

The following changes in equity for 2021 are of note:

- Increase due to profit for 2021 totalling €5,185,828;
- Increase of other reserves for €76,846 connected to: i) increase of the legal reserve for €3,710; ii) increase of other components of comprehensive income for €96,231 for effects connected with the

recognition of actuarial expenses in application of IAS partly offset by recognition of the relative fiscal effect for €23,095.

The table below shows the availability and possibility of use of reserves as per article 2427bis of the Civil Code:

| (in €) | | | |
|---|---|---|---|
| **Category** | **Amount** | **Possible use** | **Available share** |
| Share capital | 481,500 | | 481500 |
| Share premium reserve | 19,499,944 | A-B-C | 19,499,944 |
| Legal reserve | 96,300 | A-B | 96,300 |
| Reserve for actuarial profit/(loss) OCI | 31,472 | - | - |
| FTA reserve | (96,039) | - | - |
| Reserve for share capital increase ancillary charges | (1,172,651) | - | - |
| Retained earning (losses carried forward) | 6,228,486 | A-B-C | 6228486 |
| **Total** | **25,069,012** | | **26,306,230** |

**LEGEND:**

A- share capital increase

B- to cover losses

C- distribution to Shareholders

## 21 Provisions for employee benefits current and noncurrent: €598,356 (€879,970)

| (in €) Category | Year closed at 31 December | | 1 January 2020 |
|---|---|---|---|
| | 2021 | 2020 | |
| Provision for Phantom Stock Option rights | 271,875 | 637,500 | - |
| Provision for post-employment benefits | 326,481 | 242,470 | 118,535 |
| **Total Provisions for employee benefits** | **598,356** | **879,970** | **118,535** |
| ***Of which current:*** | 271,875 | 318,750 | - |
| ***Of which noncurrent*** | 326,481 | 561,220 | 118,535 |
| **Total Provisions for employee benefits** | **598,356** | **879,970** | **118,535** |

The provisions for employee benefits are composed by allocations to the provision for Phantom Stock Option rights, the management incentive plan for management that does not include the assignment or purchase of the Company’s shares but only payment of a cash bonus based on reaching company goal defined at the beginning of the year by the Board of Directors.

The provision for the Phantom Stock Option rights underwent a reduction equal to €365,625 for benefits paid during the year to recipients of the plan who exercised the options related to the first assignment cycle. No amounts have been allocated for the current year related to the second assignment cycle included in the regulation of the 2020-2022 Phantom Stock Option plan approved by the Board of Directors of CY4Gate on 22 September 2020 since the goals required by the plan were not met.

The provisions for employment benefits are also composed of post-employment benefits which represent an estimate of the obligation, calculated in compliance with actuarial techniques, related to the amount to be paid to employees when their employment ends. Starting 1 January 2007 the Italian Consolidated Finance Act and related implementation decrees introduced significant changes to TFR (Italian post-employment benefits) legislation, including the workers' choice related to allocation of their maturing TFR. Specifically, workers allocate new flows to preselected pension forms or keep them in the company, in this case the latter must pay the TFR contributions to a treasury account established at INPS.

The change to the law entailed, for the Italian maturing portions, the transformation of the nature of the TFR institution from "Defined benefit plan" to "Defined contribution plan".

The table below shows a summary of the applied actuarial assumptions:

| Assumptions | CY4GATE |
|---|---|
| Discount rate | 0.90% |
| Inflation rate | 1.75% |
| Nominal rate of wage growth | 1.75% |
| Workers | 1.75% |
| Office employees | 1.75% |
| Front-line managers | 1.75% |
| Executives | 1.75% |
| Managers | 1.75% |
| Labour turnover rate (Tasso annuo di turnover) | 10.10% |
| Probability of request of advances of TFR (Probabilità di richiesta di anticipazioni di TFR) | 1.70% |
| Percentage required in case of advance (misura di richiesta dell'anticipo) | 70.00% |
| Life Table - Male (Tavola di sopravvivenza - maschi) | M2019 |
| Life Table - Female (Tavola di sopravvivenza - Femmine) | F2019 |

Changes are as follows:

| Employee benefits | 31.12.2021 | 31.12.2020 | 01.01.2020 |
|---|---|---|---|
| **Net liabilities beginning of period** | **242,470** | **118,535** | |
| Current costs of services | 196,905 | 76,226 | |
| Financial expenses of services | 1,087 | 1,144 | |
| Use of TFR | (17,750) | (8,256) | |
| Actuarial (Gains)/Losses reported in the period | (96,231) | 54,821 | |
| **Net liabilities end of period** | **326,481** | **242,470** | **118,535** |

The sensitivity analyses performed are provided below:

| Sensitivity Analysis - DBO | | CY4GATE |
|---|---|---|
| **Central Assumption** | € | **326,481** |
| Discount rate (+0,5%) | € | 311,858 |
| Discount rate (-0,5%) | € | 342,376 |
| Rate of Price Inflation Increases (+0,5%) | € | 338,553 |
| Rate of Price Inflation Decreases (-0,5%) | € | 315,244 |
| Rate of Salary Increases (+0,5%) | € | 332,649 |
| Rate of Salary Decreases (-0,5%) | € | 320,613 |

## 22 Provisions for allocations current and noncurrent: €300,745 (€240,000)

| (in €) Category | Year closed at 31 December 2021 | 2020 | 01/01/2020 |
|---|---|---|---|
| Provision for product warranty | 300,745 | 240,000 | - |
| Others | - | - | 50,000 |
| **Total provision for current risks** | **300,745** | **240,000** | **50,000** |
| ***Of which current:*** | 267,793 | 161,943 | - |
| ***Of which noncurrent*** | 32,952 | 78,057 | 50,000 |
| **Total Provisions for employee benefits** | **300,745** | **240,000** | **50,000** |

Provisions for current and noncurrent allocations are composed of provisions to a provision for warranties mainly related to the sale of licenses which require a legal warranty. The increase in the periods analysed is in line with the progressive increase in business volumes reported in 2020 and 2021. Lastly, it should be noted that the duration of the aforesaid warranties are included in a period between 12 and 24 months.

The table below shows the changes of the provisions in question:

| (in €) Category | |
|---|---|
| **Balance at 31 December 2020** | **240,000** |
| Allocations (+) | 110,394 |
| Releases (-) | - |
| Uses (-) | (49,649) |
| **Balance at 31 December 2021** | **300,745** |

The decrease is referred to uses made in the year against costs incurred for the warranty activities provided by CY4 to customs. The increase refers to the allocation performed for new warranties issued following sales performed during the year.

## 23 Total non-current financial liabilities: €0 (€0)

| (in €) Category | Year closed at 31 December 2021 | 2020 | 01/01/2020 |
|---|---|---|---|
| Payables to shareholders for loans | - | - | 850,000 |
| **Total non-current financial liabilities** | **-** | **-** | **850,000** |

Noncurrent financial liabilities are reported in the financial statements at 01 January 2020 and refer to €850,000 payables to shareholders for loans completely repaid on the date this report was prepared.

## 24 Noncurrent financial liabilities from leases: €1,563,517 (€237,642)

| (in €) Category | Year closed at 31 December 2021 | 2020 | 01/01/2020 |
|---|---|---|---|
| Financial payables for leasing | 1,563,517 | 237,642 | 375,004 |
| **Total non-current financial liabilities** | **1,563,517** | **237,642** | **375,004** |

The item refers to lease liabilities, reported as an equivalent item to recognition of right-of-use assets, for existing lease contracts for the building where the Company's offices are located, for hardware and cars only for the portion of payments due after the next year.

For the portion of lease payments due within the next year, the corresponding lease liability is reported in current financial liabilities.

## 25 Trade payables: €4,330,658 (€1,830,221)

| (in €) Category | Year closed at 31 December 2021 | 2020 | 01/01/2020 |
|---|---|---|---|
| Payables due to suppliers | 4,068,230 | 1,652,960 | 1,444,640 |
| Payables due to parent companies | 262,427 | 177,261 | 121,571 |
| **Total trade liabilities** | **4,330,658** | **1,830,221** | **1,566,211** |

Trade payables are reported for €4,376,888 due to national suppliers and €44,715 due to foreign suppliers. The total balance also includes €779,279 of invoices to receive and €870,225 of advances to suppliers. Payables due to owners refer to services paid by the owners Elettronica S.p.A. Mainly for canteen services and for ancillary services for leasing the building used for offices by the Company.

## 26 Current financial liabilities: €2,005,878 (€1,025,552)

| (in €) Category | Year closed at 31 December 2021 | 2020 | 01/01/2020 |
|---|---|---|---|
| Payables to shareholders for loans | - | 708,594 | 1,349,207 |
| Payables to banks | 2,005,878 | 134,367 | 7,463 |
| Payables to other lenders | - | 182,591 | - |
| **Total current financial liabilities** | **2,005,878** | **1,025,552** | **1,356,670** |

Current financial liabilities are almost all composed by the advances on invoices with the Credito Valtellinese bank (€1,999,281) due between 120-180 days. The remaining part are represented by payables due to credit card companies. The change compared to the previous year is connected on one side to repayment of a shareholders' loan including interest, due to Elettronica S.p.A. For €708,594 and to Expert System for €182,591 and other to the subscription of short-term lines commented above.

## 27 Current financial liabilities from lease: €443,078 (€203,288)

| (in €) Category | Year closed at 31 December 2021 | 2020 | 01/01/2020 |
|---|---|---|---|
| Leasing debts | 493,870 | 203,288 | 222,473 |
| **Total current financial liabilities** | **493,870** | **203,288** | **222,473** |

The item refers to the lease liability reported as an equivalent item to recognition of right-of-use assets, for existing leases for the building, hardware and cars only for the portion of payments due within the next year.

## 28 Tax Liabilities: €580,261 (€513,618)

| (in €) Category | Year closed at 31 December 2021 | 2020 | 01/01/2020 |
|---|---|---|---|
| Payables to tax authorities for VAT | - | - | 77,788 |
| Payables to tax authorities for Irpef | 262,625 | 167,721 | 88,768 |
| IRAP payables | - | 56,380 | 114,376 |
| Payables to social security institutions | 316,427 | 289,372 | 142,552 |
| Other tax liabilities | 1,209 | 145 | - |
| **Total tax liabilities** | **580,261** | **513,618** | **423,484** |

Tax liabilities mainly refer to payables due to social security institutions for €316,427 and payables for employee IRPEF (Italian income tax) for €262,625.

## 29 Other current liabilities: €1,132,867 (€423,329)

| (in €) Category | Year closed at 31 December 2021 | 2020 | 01/01/2020 |
|---|---|---|---|
| Advances to third parties | - | 4,898 | 5,012 |
| Advances on EU grants | 503,563 | 111,202 | - |
| Other payables | 478,266 | 235,658 | 73,275 |
| Accrued expenses and deferred income | 151,038 | 71,571 | 95,933 |
| **Total other current liabilities** | **1,132,867** | **423,329** | **174,221** |

Other current liabilities refer to €503,563 for advances received on projects financed by the **European Commission**. The main one of these is ECYSAP (European Cyber Situational Awareness Platform) which is aimed at developing and implementing innovative theoretical foundations, research methods and prototypes, integrated in a European operational platform that enables Cyber Situational Awareness in real time.

The item also includes €478,266 for other payables mainly referred to payables due to employees and directors for fees (totalling €450,541), deferred income for €151,038 reported to adjust the portion of revenue reported against a tax credit matured for capital assets acquired during the year but not accrued, as well as the portion of revenue for services, invoiced but accruing in later years.

## 30 Disclosure on risk management, financial instruments and warranties

### Management of risks connected to the COVID-19 (so-called Coronavirus)

As of the date these financial statements were prepared, the Italian government and those of Member States and non-European countries had applied extraordinary restrictive measures to limit the spread of the COVID-19 virus (so-called Coronavirus), declared a pandemic by WHO (World Health.Organization)

The year 2021 was also characterised by the healthcare emergency linked to the pandemic that has stricken our country and the whole world starting in the first months of 2020.

In strategic terms the event can be unquestionably classified as a "black swan", i.e. a rare event, unpredictable and with no reference model of the past, with a strong negative impact on business from all viewpoints, from sales to operations and corporate finance. It is an event that harmed (and is harming) the health of millions of people in the world and our country. For this reason Cy4gate continued to adopt measures implemented right at the beginning of the healthcare crisis in Italy in May 2020 at adapting company procedures to all the provisions of the competent Authorities aimed at limiting contagion based on an assessment to safeguard each employee regardless of any government measures. These measures have ranged from block to reduction of transfers to at-risk areas and in the entire country, to severe and stringent actions for internal prevention (emergency procedure of 04 March 2020) and strict protocols with customers and suppliers as the healthcare situation became worse.

It also continued to use alternative working procedures (smartworking) guaranteeing the possibility of working from home for each employee. This action was very significant because it ensured that the company continued operations, ensuring the right flexibility to meet the specific needs including personal and family of every single employee. On one hand this allowed the company to continue operations and on the other to be completely compliant with all legal obligations to prevent the health of its employees above all in terms of social distancing in the office (as well as constant mask use, temperature measurement at the entrance, daily sanitising of work places as well as other important implemented measures, reorganisation of.spaces, etc.).

The beginning of 2021, even if with a progressive recovery of operations of the company's teams, all of the flexible elements of the implemented agile work remained in place that ensured Cy4gate elasticity and ability to quickly adapt to the various scenarios and evolutions of the healthcare emergency that occurred in 2021.

## Objectives, policy for management and identification of financial risks

The Company is exposed to financial risks connected with its operations, in particular related to the following cases:

- Interest rate risks, related to financial exposures;
- exchange rate risks, related to transactions in currencies different from the Company presentation currency;
- Liquidity risks, related to the availability of financial resources and access to the credit market;
- credit risks, resulting from normal trade transactions or financing activities.

CY4Gate carefully and specifically follows each of the aforesaid financial risks, intervening with the aim of promptly minimising them. including through the use of derivatives for hedging.

The paragraphs below analysis, through sensitivity analysis, the potential impact on final results arising from hypothetical fluctuations of reference parameters. These analyses are based, as required by IFRS 7, on simplified scenarios applied to final data of the periods considered and, due to their same nature, cannot be considered indicators of the real effects of future changes of the reference parameters against a different financial structure and different market conditions, nor can they reflect the interrelations and complexity of the reference markets.

## 30.1 Exchange rate risk

CY4 conducts its business in countries outside the so-called Eurozone and is therefore exposed to the risk the significant fluctuations may occur in exchange rates, or the risk that revenue and costs denominated in currencies other than the euro may have different values compared to when the price conditions were defined.

At the date when these Financial Statements were prepared, CY4 did not adopt hedging instruments for exchange rate fluctuations, since the exposure to countries outside the eurozone is limited and there are no financial liabilities in currencies other than the euro.

## 30.2 Liquidity risk

Liquidity risk is linked to the possibility that CY4 is unable to cope with financial obligations resulting from financial commitments and, in general, its own short-term financial commitments thus determining as an extreme consequence a situation of insolvency placing a great risk on the company's business. The main factors that contribute to liquidity risk are, on one hand, the generation/use of financial resources by operations and investing activities and, on the other, due dates for financial payables and uses of liquidity as well as contingent conditions of financial markets.

CY4 pursues the objective of maintaining a sufficient treasury margin to cover financial needs. Cash flows, financial needs and liquidity are constantly monitored and managed with the aim of ensuring an effective and efficient management of financial resources.

It should be noted that Cy4's financial payables, other than liabilities for leasing contracts recognised by applying IFRS 16, on 31 December 2021 are equal to a total Euro of composed composed of payables due "on sight" for €6,597 and due within 6 months for €1,999,280. The amount of cash and cash equivalents at 31/12/2021 totalled €2,297,858.

## 30.3 Credit risk

Credit risk represents the Company's exposure to potential default risks of a counterparty.

The Group is exposed to the risk that its customers may delay or not comply with their payment obligations at the agreed upon terms and conditions and that the adopted internal procedures in relation to the assessment of credit standing and the solvency of customers are not sufficient to ensure collection. The occurrence of these risks could have negative effects on the economic, financial and balance sheet situation of the Group.

To mitigate this risk the Company checks the credit standing of the counterparty based on internal or external ratings and establishes credit limits that are regularly monitored. Lastly, it should be noted that the credit risk has not increased significantly after the initial reporting.

The amount of the financial assets considered doubtful to be recovered is of an insignificant amount. The lost allowance for trade receivables, at 31 December 2021, total €307,333.

| *(in €)* | **At 31 December 2021** | **At 31 December 2020** | **At 01 January 2020** |
|---|---|---|---|
| Receivables to come due and 1-90 past due | 23,047,200 | 13,737,016 | 4,956,282 |
| Past due from 91 - 180 days | 132,166 | 45,600 | - |
| Past due over 180 days | 713,573 | 1,897,565 | 1,249,298 |
| Allowance for doubtful accounts | (307,333) | (194,376) | (103,059) |
| **Total trade receivables** | **23,585,606** | **15,485,805** | **6,102,521** |
| Contract derivative assets | 1,546,938 | 608,625 | 335,817 |
| Loss allowance | (4,449) | (468) | (3,981) |
| **Total assets from contracts** | **1,542,489** | **608,157** | **331,836** |

Specifically at 31 December 2021 trade receivables past due beyond 90 days totalled €845,739 of which €132,166 past due 91-180 days and €713,573 past due over 180 days mainly referred to a single project with a government customer and receivables with the parent companies.

## 30.4 Interest rate risk

Considering Cy4's current financial structure at the reporting date, characterised by the absence of financial liabilities aside from lease ones and payables for advances on invoices, there are not significant risks connected to the trend of interest rates

## 30.5 Guarantees and Sureties

As of 31 December 2021 the following should be noted:

- Letter of patronage from Elettronica S.p.A. For €600,000 for a multi use credit line for advances on invoices and contracts and advance bonds in favour of CREVAL S.p.A.
- Advanced bond issued by Creval in September 2018 for €€ 70,000 related to an asset contract with an end user in a Middle East country.
- Bid bond issued by Creval in October 2020 for €30,000 for participation in a call for tenders in a Middle

East country.

It should be noted that CY4 has not provided guarantees to third parties.

Moreover, compared to the previous year, on 30 September 2021 the following guarantees has expired related to a contract with an end user in Pakistan extinguished by the foreign bank in the month of November 2021:

- Letter of patronage from Elettronica S.p.A. for €€ 2,000,000 of December 2018 for lines of credit to cover commercial sureties in favour of Unicredit S.p.A:
- Letter of patronage from Expert System S.p.A. In favour of Unicredit S.p.A. Of December 2018, confirmed by a November 2019 confirmation for lines of credit to cover commercial sureties for €2,000,000 in favour of Unicredit S.p.A.
- Advanced bond issued by Unicredit in December 2018 for €1,198,000 related to an asset contract with an end user in a Central Asian country.

## 31 Related party transactions

It should be noted the Company undertook transactions with related parties, specifically with the Società Elettronica S.p.A. These transactions which do not constitute atypical and/or unusual transactions, are governed by normal market conditions and follow a physiological development in relation to contractual commitments and payment conditions.

All of these transactions are detailed in the tables below:

| (in €) | Year closed at 31 December | | 01/01/2020 |
|---|---|---|---|
| Category | 2021 | 2020 | |
| Non-current financial assets | 6,000 | 6,000 | 6,000 |
| Contract derivative assets | 599,102 | 167,360 | 150,452 |
| Trade Receivables | 4,464,820 | 2,309,673 | 997,600 |
| **Total** | **5,069,922** | **2,483,033** | **1,154,052** |
| **Percentage of the transactions** | **12%** | **8%** | **10%** |

| (in €) | Year closed at 31 December | | 01/01/2020 |
|---|---|---|---|
| Category | 2021 | 2020 | |
| Noncurrent financial liabilities | - | - | 850,000 |
| Trade Payables | 262,428 | 177,261 | 121,571 |
| Current financial liabilities | - | 708,594 | 1,349,207 |
| Contract derivative liabilities | 10,000 | 50,279 | - |
| Current financial liabilities from lease | 296,614 | 121,940 | 122,420 |
| Noncurrent financial liabilities from lease | 1,509,436 | 71,606 | 192,851 |
| **Total** | **2,078,478** | **1,129,680** | **2,636,049** |
| **Percentage of the transactions** | **5%** | **4%** | **23%** |

| (in €) | Year closed at 31 December | |
|---|---|---|
| Category | 2021 | 2020 |
| Operating Revenue | 4,263,880 | 3,062,600 |

| | | |
|---|---|---|
| *Percentage of the transactions* | 24% | 24% |
| Costs for purchases and personnel | (531,820) | (282,327) |
| *Percentage of the transactions* | 6% | 5% |

Specifically, current financial assets (€6,000) refer to security deposits related to a lease contract. The activities resulting from contract (€599,102) and trade receivables (€4,464,820) refer to assets strictly connected to sales that CY4 performed for the parent company and not yet collected at the date. It should be noted that the increase during the year (totalling €2,586,889) is strictly connected to the total increase in volumes of business in line with the growth reported by CY4 in the year.

Non-current financial liabilities (totalling €850,000 at 01 January 2020), no longer reported at 31 December 2021, refer to a shareholder loan repaid on the due date. The financial liabilities related to the lease, current (€296,614) and noncurrent (€1,509,436) refer to lease payments for the buildings leased from the parent company and used as offices. The financial liabilities related to the contract (€10,000) refer to the net balances for which the payments received from customers are higher than the services performed by the entity and which are reported in liabilities in compliance with the requirements of international accounting standards. Lastly, trade payables (totalling €262,428) refer to liabilities mainly connected to chargeback of costs of the parent company for services provided and not yet paid at the date.

The balances in the statement of profit or loss in the year due from/to the parent company represent the residual equivalent item as commented above.

**Remuneration for directors and statutory auditors**

Remuneration for the directors include compensation for their office and rights for Phantom Stock Option as shown in the following table. For additional information related to the incentive plan see Note 21 in these explanatory notes.

| | Figures in thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Compensation for Statutory Auditors | 50,450 | 33,086 |
| Compensation for Directors | 205,388 | 214,986 |
| Rights Phantom Stock Option (short term) | | 75,000 |
| Rights Phantom Stock Option (medium term) | | 75,000 |

# 32 Leasing

## 32.1 Leasing in the capacity of Lessee

The Company is party in lease contracts in the capacity of lessee as defined by the new standard IFRS 16.

## Assets for right of use

The item types of the paragraph in question are indicated below:

| (in €) | Year closed at 31 December | | 01/01/2020 |
|---|---|---|---|
| Category | 2021 | 2020 | |
| Buildings | 1,829,548 | 193,231 | 315,271 |
| Hardware | 122,386 | 185,562 | 266,735 |
| Cars | 80,582 | 72,117 | 15,471 |
| **Assets for right of use** | **2,032,516** | **450,910** | **597,477** |

## Financial liabilities for Leasing

| (in €) | Year closed at 31 December | | 01/01/2020 |
|---|---|---|---|
| Category | 2021 | 2020 | |
| Within year | 443,078 | 203,288 | 222,473 |
| Beyond a year and within five years | 1,563,517 | 237,642 | 375,004 |
| **Total current value** | **2,006,595** | **440,930** | **597,477** |

## Amount reported in profit (loss) for the year

| (in €) | Year closed at 31 December | |
|---|---|---|
| Category | 2021 | 2020 |
| Interest expense on leasing liabilities | 2,522 | 2,736 |
| Depreciation of the right of use | 234,530 | 224,743 |
| **Total current value** | **237,052** | **227,479** |

## Amounts reported in the statement of cash flows

| (in €) | Year closed at 31 December | |
|---|---|---|
| Category | 2021 | 2020 |
| Repayment of financial leases | 243,900 | 237,119 |
| **Payment of fees** | **243,900** | **237,119** |

## Extension options

Some lease contract contain extension options that can be exercised by the Company and/or lessee. On the lease start date the Company assesses on the lease contract date if it has a reasonable certainty that the extension option will b exercised, this analysis is again performed if a significant event occurs or a significant change in circumstances.

## 32.2 Leasing in the capacity of Lessor

The Company does not have any lease contracts in the capacity of lessor.

# 33 Events after the end of the reporting period

In terms of the Board of Directors resolution of 16 December 2021 and described in the previous paragraph "significant events" the amount of the loan dedicated to acquisition of the Aurora group has been reduced from €20 million to €12.5 million in light of discussions during the month of January 2022 with the bank involved in the acquisition Crédit Agricole Italia S.p.A.

Other lines of financing are planned as shown below: (I) €25 million to support future capex i.e. Possible acquisitions that may be incurred by the CY4 Group (ii) €7.5 million to support generic financial requirements linked to the evolution of working capital.

The above made it necessary to publish a supplement Information Document on 23 January 2022.

In terms of the share capital increase the extraordinary shareholders' meeting of 07 February 2022, implementing the investment agreement signed on 16 December 2021, approved a share capital increase with exclusion of the option right, for a total amount up to €90 million, to be carried out by issue of a tranche up to a maximum of €10 million reserved for the parent company Elettronica S.p.A., a tranche up to a maximum of €40 million reserved for TEC Cyber S.p.A., a company established by "The Equity Club" shareholders, and a tranche of the remaining amount up to €90 million for qualified institutional investors in Italy as well as institutional investors abroad, and resolved the adoption of certain statutory amendments to implement the investment agreement signed on 16 December 2021.

The implementation of the share capital increase and finalisation of the aforesaid acquisition expected by the end of the first quarter of 2022, was subject to the usual conditions precedent for these types of transactions, including confirmation from the Panel established by Borsa Italiana S.p.A. That implementation of the signed investment agreement in the context of the acquisition between the Company, Elettronica S.p.A. e TEC Cyber S.p.A. does not entail the obligation to promote a full public tender offer on CY4 shares pursuant to the articles of association and applicable law and attainment of the required authorisations as per regulations concerning golden power, as per the Decree Law no. 21/2012, converted into law no. 56/2012. The conditions precedent had been met on the date this report was prepared.

As previously mentioned, on 14 March following up the communication of 16 December 2021 and the resolution of the Ordinary and Extraordinary Shareholders' Meeting of 07 February 2022, Cy4Gate started the placement activities of the shares from the share capital increase to pay in tranches for a total maximum amount of €90 million, including any share premium with the exclusion of the option right pursuant to article 2441, paragraph 5, of the Civil Code.

The share capital increase was successfully completed with the subscription of €90 million and issue for the Share Capital Increase of 8,571,428 shares with a per share price of 10.5.

Lastly, it should be noted that in February 2022 Cy4gate was awarded a series of contracts with key government customers and big corporations for a total value of approximately €700,000.

On 28 February 2022 Cy4gate was awarded an important tender, for the supply of its technologies in decision intelligence, with a national institutional customer. The job, with a 1 year duration, has a total value of €1.2 million.

On 17 March 2022 the Company's registered office was moved within the same municipality from Via Morolo 92 to Via Coponia 8.

## 34 Other disclosures

The company has not issued any bonds convertible in shares.

### Disclosures related to article 2427(1) number 19)

The Company has not issued any financial instruments as per article 2427(1) number 19 of the Civil Code.

### Disclosures related to article 2427 (22-bis) of the Consolidated Law on Finance.

In terms of transactions conducted with related parties, it should be notes that, pursuant to article 2427(22.Bis) of the Civil Code, no relevant transactions have been undertaken not concluded at arm's length in terms of the "price" of the transactions and in terms of the reasons that led to the decision to undertake them.

### Disclosures related to article 2427(22-ter)

Pursuant to article 2427(22-Ter9 of the Civil Code there are no agreements not included in the balance sheet with risks and/or rewards arising from it significant for the purposes of measurement of the financial position and profit or loss of the Company.

### Disclosures related to article 2427(6-ter)

The financial statements do not have receivables or payables related to transactions that include a repurchase obligation at the end for the buyer (article 2427(1) no. 6-ter of the Civil Code

### Disclosures related to article 2427 number 5)

There are no equity investments held directly or through a trust company or intermediary.

### Disclosures related to article 2427 number 8)

There are no financial expenses recognised during the year on the values reported as assets on the Balance Sheet

#### Disclosures related to article 2427 number 13)

There are no revenue or cost elements of an extraordinary amount or incidence.

## 35 Authorisation for publication

The publication of the Financial Statement was authorised by the Company's Board of Directors on 17 March 2022. At that time the Board also resolved to propose to the Shareholders' Meeting to allocate of profit for the year of €5,185,828 as follows:

- 5% of profit totalling €259,291 to legal reserve; and
- The difference totalling €4,926,537 to as retained earnings

# Annex to the financial statements

# Transition to the international accounting standards (IFRS-EU)

The financial statements at ù are the first ones prepared by CY4Gate in compliance with the international accounting principles issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Standard Interpretation Committee (IFRS IC, former IFRIC) and previous Standing Interpretations Committee (SIC) (hereinafter "IFRS-EU Standards") endorsed by the European Union and enacted by EU Regulation no. 1606/2002 issued by the European Parliament and the European Council in July 2002.

CY4Gate adopted the International Financial Reporting Standards starting in 2021, with transition date to the IFRS-EU on 1 January 2020 based on the requirements of IFRS 1.

### General principles

The procedures for first adoption of the IFRS-EU are governed by IFRS 1. This principle requires that on the transition date to IFRS-EU the entity's statement of financial position must:

- Recognise all assets and liabilities required to be reported by IFRS-EU;
- Elements who reporting is not permitted by IFRS-EU are not recognised as assets or liabilities;
- reclassify items recognised as a type of asset, liability or equity components in compliance with the previous accounting standards but which constitute a different type of asset, liability or equity component in compliance with IFRS-EU;
- Apply IFRS-EU in measuring all recognised assets and liabilities.

The effects of these adjustments are recognised directly in the opening equity on the date of transition.

IFRS 1 requires that the entity describe how the changeover from the previous accounting standards to IFRS-EU impacted the presented financial situation, profit or loss and cash flows. The following have been prepared for the purpose of this annex:

- The reconciliation statements between the statement of financial position prepared according to the previous accounting standards and those prepared based on the IFRS for the following dates:
  - Changeover date to IFRS (01 January 2020);
  - Closing date for the last year the entity prepared the financial statements in compliance with the previous accounting standards (31 December 2020);
- The reconciliation of the total net profit or loss for the year closed 31 December 2020 determined according to the previous accounting standards with the same result determined based on the IFRS;
- The explanatory notes related to the adjustments and reclassifications included in the aforesaid reconciliation statements, which describe the significant events of the transition, both in terms of the classification of the various items and their different measurement and, thus the consequent on the financial situation and profit or loss

### Notes regarding the rules for first application

The statement of financial position at 01 January 2020 and at 31 December 2020 as well as the statement of profit or loss for 2020 has been prepared according to the applicable IFRS-EU Standards starting from 01 January 2020.

The estimates previously made according to the Italian accounting standards have been maintained in the transition process to IFRS-EU Standards, unless the adoption of IFRS-EU Standards require the formulation according to different methods.

The effect of adjustment to the new accounting standards has taken into account the relative fiscal effects recognised in deferred tax assets or deferred tax liabilities.

In terms of the new statements, in terms of CY4's statement of financial position the current/noncurrent distinction has been adopted as the method to represent asset and liabilities, a statement with classification by nature has been maintained for the statement of profit or loss items.

## Reconciliation statement of the statement of financial position at 1 January 2020

The table below shows a reconciliation between the statement of financial position at 1 January 2020 of the Company prepared in compliance with the Italian accounting standards and the statement of financial position prepared in compliance with the IFRS-EU.

| | at 01 January 2020 | | | |
|---|---|---|---|---|
| (in €)<br>Category | OIC financial statements | Reclassifications | Adjustments | IFRS EU financial statements |
| Intangible Assets | 1,169,360 | - | (1,477) | 1,167,883 |
| Property, plant and equipment | 578,813 | - | - | 578,813 |
| Right-of-use assets | - | - | 597,477 | 597,477 |
| Non-current financial assets | 6,000 | - | - | 6,000 |
| Other non-current assets | - | - | - | - |
| Deferred tax assets | - | - | 34,126 | 34,126 |
| **Noncurrent assets** | **1,754,173** | **-** | **630,126** | **2,384,299** |
| Inventories | 251,000 | - | - | 251,000 |
| Contract derivative assets | 1,312,400 | (912,929) | (67,635) | 331,836 |
| Trade Receivables | 6,127,580 | 28,000 | (53,059) | 6,102,521 |
| Tax assets | 932,980 | - | - | 932,980 |
| Other current assets | 133,021 | - | (27) | 132,994 |
| Cash and cash equivalents | 1,398,364 | - | (65) | 1,398,299 |
| **Current assets** | **10,155,345** | **(884,929)** | **(120,786)** | **9,149,629** |
| **Total assets** | **11,909,518** | **(884,929)** | **509,339** | **11,533,928** |
| Share capital | (321,000) | - | - | (321,000) |
| Reserves | (3,101,445) | - | 96,039 | (3,005,406) |
| Profit (loss) for the year | (1,851,804) | - | - | (1,851,804) |
| **Shareholders' equity** | **(5,274,249)** | **-** | **96,039** | **(5,178,210)** |
| Provisions for employee benefits - noncurrent | (110,634) | - | (7,901) | (118,535) |
| Noncurrent financial liabilities | (850,000) | - | - | (850,000) |
| Noncurrent financial liabilities from lease | - | - | (375,004) | (375,004) |
| **Noncurrent Liabilities** | **(960,634)** | **-** | **(382,905)** | **(1,343,539)** |
| Provisions for allocations current | (50,000) | - | - | (50,000) |
| Trade Payables | (2,236,211) | 670,000 | - | (1,566,211) |
| Current financial liabilities | (1,356,670) | - | - | (1,356,670) |
| Current financial liabilities from lease | - | - | (222,473) | (222,473) |
| Derivative liabilities from contracts | (1,434,049) | 214,929 | - | (1,219,120) |
| Tax liabilities | (423,484) | - | - | (423,484) |
| Other current liabilities | (174,221) | - | - | (174,221) |
| **Current liabilities** | **(5,674,635)** | **884,929** | **(222,473)** | **(5,012,178)** |
| **Total liabilities** | **(11,909,518)** | **884,929** | **(509,339)** | **(11,533,928)** |

## Reconciliation statement of the statement of financial position 31 December 2020

The table below shows a reconciliation between the statement of financial position at 31 December 2020 of the Company prepared in compliance with the Italian accounting standards and the statement of financial position prepared in compliance with the IFRSEU.

| (in €) | at 31 December 2020 | | | |
|---|---|---|---|---|
| Category | OIC financial statements | Reclassifications | Adjustments 31.12-2020 | IFRS EU financial statements |
| Intangible Assets | 4,659,271 | - | (939,106) | 3,720,165 |
| Property, plant and equipment | 639,283 | - | - | 639,283 |
| Right-of-use assets | - | - | 450,909 | 450,909 |
| Non-current financial assets | 21,000 | - | - | 21,000 |
| Other non-current assets | 22,440 | - | - | 22,440 |
| Deferred tax assets | - | | 57,630 | 57,630 |
| **Noncurrent assets** | **5,341,994** | **-** | **(430,567)** | **4,911,427** |
| Inventories | 251,000 | - | - | 251,000 |
| Contract derivative assets | 797,790 | (174,268) | (15,365) | 608,157 |
| Trade Receivables | 15,592,652 | - | (106,847) | 15,485,805 |
| Tax assets | 415,423 | - | - | 415,423 |
| Other current assets | 395,369 | - | (22,491) | 372,878 |
| Cash and cash equivalents | 9,982,485 | - | (209) | 9,982,276 |
| **Current assets** | **27,434,719** | **(174,268)** | **(144,912)** | **27,115,539** |
| **Total assets** | **32,776,713** | **(174,268)** | **(575,479)** | **32,026,966** |
| Share capital | (481,500) | - | - | (481,500) |
| Reserves | (20,542,749) | | 1,310,354 | (19,232,395) |
| Profit (loss) for the year | (5,006,617) | - | (275,364) | (5,281,981) |
| **Shareholders' equity** | **(26,030,866)** | **-** | **1,034,990** | **(24,995,876)** |
| Provisions for employee benefits - noncurrent | (542,977) | - | (18,243) | (561,220) |
| Provisions for allocations noncurrent | (78,057) | - | - | (78,057) |
| Noncurrent financial liabilities | - | - | - | - |
| Noncurrent financial liabilities from lease | - | - | (237,642) | (237,642) |
| **Noncurrent Liabilities** | **(224,227)** | **(396,807)** | **(255,885)** | **(876,920)** |
| Provisions for employee benefits - current | (318,750) | - | - | (318,750) |
| Provisions for allocations current | (161,943) | - | - | (161,943) |
| Trade Payables | (2,058,794) | 228,573 | - | (1,830,221) |
| Current financial liabilities | (1,025,552) | - | - | (1,025,552) |
| Current financial liabilities from lease | - | - | (203,288) | (203,288) |
| Derivative liabilities from contracts | (1,734,368) | 56,898 | - | (1,677,470) |
| Tax liabilities | (513,618) | - | - | (513,618) |
| Other current liabilities | (311,788) | (111,203) | (338) | (423,329) |
| **Current liabilities** | **(6,521,620)** | **571,075** | **(203,626)** | **(6,154,171)** |
| **Total liabilities** | **(32,776,713)** | **174,268** | **575,479** | **(32,026,967)** |

## Reconciliation statement of the comprehensive income statement for the year closed on 31 December 2020

The table below shows a reconciliation between the income statement at 31 December 2020 of the Company prepared in compliance with the Italian accounting standards and the comprehensive income statement prepared in compliance with the IFRSEU.

| (in €) | 2020 | | | |
|---|---|---|---|---|
| Category | OIC financial statements | Reclassifications | Adjustments 31.12-2020 | IFRS EU financial statements |
| Operating Revenue | 12,509,217 | - | 52,340 | 12,561,557 |
| Other operating revenue | 362,925 | - | - | 362,925 |
| **Revenue** | **12,872,142** | **-** | **52,340** | **12,924,482** |
| Costs for purchases and personnel | (5,906,996) | - | 261,152 | (5,645,844) |
| Depreciation, allocations and value adjustments of financial assets | (1,803,331) | - | (44,596) | (1,847,927) |
| Other operating costs | (66,732) | - | - | (66,732) |
| **Costs** | **(7,777,059)** | **-** | **216,556** | **(7,560,503)** |
| **Earnings before interest and taxes** | **5,095,083** | **-** | **268,896** | **5,363,979** |
| Financial income | 1,112 | - | - | 1,112 |
| Financial expense | (85,022) | - | (3,879) | (88,901) |
| **Earnings Before Taxes (EBT)** | **5,0111,73** | **-** | **265,016** | **5,276,189** |
| Tax | (4,558) | - | 10,347 | 5,790 |
| **Profit (loss) for the year** | **5,006,617** | **-** | **275,364** | **5,281,981** |

## Reconciliation tables of shareholders' equity at 1 January 2020 and at 31 December 2020

The table below shows the reconciliation of shareholders' equity determined based in accordance with the Italian accounting standards with shareholders' equity determined in accordance with the IFRS-EU at 1 January 2020 and at 31 December 2020.

| Shareholders' Equity at 01.01.2020 ITA GAAP | Share capital | FTA reserve | Share premium reserve | Other reserves | Retained earnings (losses carried forward | Profit (loss) for the year | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| **Shareholders' Equity at 01.01.2020 OIC** | **321,000** | **0** | **3,910,444** | **0** | **(808,999)** | **1,851,804** | **5,274,249** |
| Recognition of effects resulting from application of IFRS15 | | (47,859) | | | | | (47,859) |
| Measurement of financial instruments (IFRS 9) | | (40,698) | | | | | (40,698) |
| Measurement of employee benefits (IAS19) | | (6,005) | | | | | (6,005) |
| Elimination of plant and expansion costs (IAS38) | | (1,477) | | | | | (1,477) |
| **Shareholders' Equity at 01.01.2020 IFRS - EU** | **321,000** | **(96,039)** | **3,910,444** | **0** | **(808,999)** | **1,851,804** | **5,178,209** |

| Shareholders’ Equity at 31.12.2020 ITA GAAP | Share capital | FTA reserve | Share premium reserve | Other reserves | Retained earnings (losses carried forward | Profit (loss) for the year | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| **Shareholders’ Equity at 31.12.2020 OIC** | **481,500** | **0** | **19,499,944** | **92,590** | **950,215** | **5,006,617** | **26,030,866** |
| **FTA Reserve at 01.01.2020** | | **(96,039)** | | | | | **(96,039)** |
| Recognition of effects resulting from application of IFRS15 | | | | | | 38,842 | 38,842 |
| Masurement of financial instruments (IFRS 9) | | | | | | (41,705) | (41,705) |
| Recognition of effects resulting from application of IFRS16 | | | | | | (11,950) | (11,950) |
| Measurement of employee benefits (IAS19) | | | | | | 55,154 | 55,154 |
| Measurement of employee benefits (IAS19) - effects on OCI | | | | (41,664) | | | (41,664) |
| Elimination of plant and expansion costs (IAS38) | | | | | | 492 | 492 |
| Elimination of quotation costs 2020 (IAS 32) | | | | (1,172,651) | | 234,530 | (938,121) |
| **Shareholders’ Equity at 31.12.2020 IFRS - EU** | **481,500** | **(95,613)** | **19,499,944** | **(1,121,725)** | **950,215** | **5,214,389** | **24,995,876** |

## Reconciliation statement of the statement of cash flows for the year closed on 31 December 2020

The table below shows the reconciliation of Statement of cash flows in accordance with the Italian accounting standards and in accordance with the IFRS-EU at 31 December 2020.

| | 31/12/2020 | | |
|---|---|---|---|
| **STATEMENT OF CASH FLOWS** | **ITA GAAP** | **Adjustments** | **IFRS-EU** |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD | 1,398,364 | (65) | 1,398,298 |
| A) Cash flow net generated (absorbed) from operations | (841,021) | 225,294 | (615,727) |
| B) Cash flows generated (absorbed) from investing activities and financing activities | 9,425,143 | (225,437) | 9,199,706 |
| **INCREASE (DECREASE NET OF CASH AND CASH EQUIVALENTS (A+B** | **8,584,122** | **(143)** | **8,583,979** |
| **CASH AND CASH EQUIVALENTS AT THE END OF PERIOD** | **9,982,485** | **(208)** | **9,982,277** |

## Explanatory notes.to the effects of transition to IFRS-EU

## Employee benefits

According to Italian accounting standards, post-employment benefits are reported on an accruals basis during the period of the employee’s employment, in compliance with applicable legislation and work contracts.

According to IFRS-EU, post-employment benefits are separated into “defined contribution” and “defined benefit” plans.

The provision for post-employment benefits (hereinafter “TFR”), based on IAS 19 is comparable to a defined benefit plan to measure based on statistical and demographic assumptions, as well as actuarial measurement methods.

Application of the aforesaid accounting standards determined at 1 January 2020, a decrease of shareholders’ equity for €6 thousand resulting from the difference between the provision value calculated according to National Accounting Standards and the value of the defined benefit obligation calculated based on the provisions of IAS 19. At 31 December 2020 a total adjustment on shareholders’ equity was reported equal to positive €13.5 thousand resulting from the joint effect of i) an impact on the income statement for €55 thousand

and ii) negative impact on other components of comprehensive income (OCI reserve) for €41.6 thousand). The accounting effects are to be considered net of tax effects.

## Intangible assets

After the initial reporting at cost, IAS 38 - Intangible assets, requires that these assets may be measured at cost or by periodically determining the market value and adjusting the accounting balance to this value at the reference date for measuring the market value. A decision was made to adopt the cost method.

The adjustment reported at 1 January 2020 and totalling €1.4 thousand regards the elimination of the start-up and expansion cost values reported in intangible assets according to the Italian Accounting Standards which do not meet the conditions required by the IFRS-EU Standards, to be capitalised. Specifically, to apply IAS 38 the start-up and expansion costs are reported in the income statement when incurred.

This case led to an adjustment totalling €0.5 thousand at 31 December 2020. This resulted from elimination of the amount of amortisation according to the previous Italian Accounting Standards. The accounting effects are to be considered net of tax effects.

Important adjustments of the intangible assets item include elimination of the start-up and expansion costs at 31 December 2020 connected with listing on the Mercato Alternativo del Capitale (AIM). According to the requirements of the IFRS-EU Accounting Standards the transaction costs related to a transaction on share capital must be reported as a decrease of shareholders' equity reported in a specific reserve. The effect of this adjustment on shareholders' equity at 31 December 2020led to a negative net impact totalling €938 thousand including a positive adjustment equal to €235 thousand on the income statement resulting from elimination of the amount of amortisation reported according to the previous Accounting Standards.

## Lease contracts

In financial statements prepared according to Italian Accounting Standards, costs for rent and lease payments referred to operating lease contracts were reported as a cost in the income statement based on the accrual method. According to the accounting standard IFRS 16, the Company recognised an asset for right to use in assets, representing the right to use the asset in the contract and a financial liability for the lease (divided between the current and noncurrent parts) in liabilities, representing the obligation to make the payments stated in the rental or lease contract. Rental and lease payments are reported, in terms of the principle amount, to reduce this payable and in terms of interest amount in the income statement according to the accrual method. The "Optional exemptions for first application of the IFRS-EU Standards applicable during the transition for the standard in question.

On the Transition Date, CY4 assessed whether a contract contains a lease in application of the requirements of IFRS 16 based on the facts and circumstances existing on that date. The contract is, or contains, a lease if, in exchange for consideration, it grants the right to control the use of a specified asset for a period of time.

In compliance with the transitory provisions of the accounting standard IFRS 16, the Company decided to adopt the following decisions:

- Measure the liability for the lease on the transition date to the current value of the remaining payments due for the lease, discounted using the marginal financing rate, on the date of transition to the IFRS-EU Standards of the company acting in the capacity of lessor (IFRS 16 App. C, par. C8);
- Measure the asset consisting of the right to use at the transition date at an amount equal to the liability for the lease, adjusted by the amount of any deferred income and accrued income related to the lease reported in the statement of financial position immediately before the transition date (IFRS 16 App C, par. C8);
- Use the option of not making transitory adjustments for leases with underlying asset of a modest value (IFRS 16, App. C, par. C9);

- Use the option of not making transitory adjustments for leases with a duration of 12 months from the date of initial application (IFRS 16, App. C, par. C10);
- Use the option of not making transitory adjustments for leases with underlying asset that is Intangible (IFRS 16:4)

The effects resulting from application of IFRS standard 16 are shown below.

At 1 January 2020, based on the transitory provisions, the Company reported a Right of use totalling €597 thousand with equivalent item of a financial liability.

At 31 December 2020 a negative impact was reported in the income statement related to reporting of a financial expense and the remaining part from the difference between the amount of amortisation calculated according to IFRS Standard 16 and leasehold costs reporting according to the Italian Accounting Standards.

## Measurement of financial instruments

IFRS introduced new provisions for recognising and measuring financial assets and financial liabilities. The standard, which replaces IAS 39, significantly amended the treatment of financial instruments, introducing a new classification based on the characteristics of the business model and cash flows of the Company and entails application of a structured impairment model for financial assets based on expected "lifetime" losses. Based on the type of financial assets and financial liabilities present in CY4, the new model for classifying financial instruments did not present any critical issues, while the main area of impact was defining a new impairment model for financial assets and financial liabilities (in particular trade receivables and assets from contracts) to take into account the particular features of the reference customers.: For this purpose the simplified impairment model was adopted, where the value of financial assets also reflects a theoretical default forecast of the counterparty (PD - Probability of Default) and capability of recovering the asset if such default occurs (LGD - Loss Given Default). For some customer clusters characterised by greater fragmentation a simplified approach has been adopted based on a "provision matrix", which breaks down receivables into uniform subsets by nature and age.

The application of the accounting standard in question determined at 1 January 2020 a decrease in equity for €40.7 thousand. The accounting effects are to be considered net of tax effects totalling €12.8 thousand. At 31 December 2020 a negative adjustment was recognised on equity equal to €41.7 thousand including the fiscal effect totalling €13.2 thousand.

## Measurement of revenue from contracts with customers

IFRS 15 define the method for recognising and measuring revenue from contracts with customers (including to contracts related to construction contracts). Basically the new standard requires performance of the following 5 steps for recognising revenue: (I) identification of the contract; (ii) identification of the performance obligations; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations; (v) recognition of revenue.

According to the requirements of IFRS 1 concerning transitory provision, it should be noted that CY4 used the practical expedient as per paragraph D35 "The new-user is not obligated to redetermine contracts completed before the first year presented. A completed contract is a contract where the entity has transferred all of the goods or services identified in compliance with the previous accounting standards".

The main areas of impact arising from application of IFRS 15 are as follows:

Based on what is governed by the standard in question performance obligations are identified contained in existing contracts. In light of the analyses performed a decision was made that the strong interrelation and integration of the different elements of service contracts means that in most cases, the same can be considered as a single performance obligation representing the inputs necessary for producing a same overall output ordered by the Customer. However, in some circumstances a single contract may contained a number of obligations, for example (i) maintenance of the created software; (ii) training regarding cybersecurity, etc.

The analyses performed show that revenue arising from the performance of services supplied by CY4 must be generally recognised while performing the relative orders (over time) while in terms of the sale of licenses the revenue must be recognised “at point time” i.e. When control of the good/service is transferred to the customer. Given this it should be noted that contractual payments matured in relation to contracts in progress recognised “over time” are measured using the “cost-to-cost” method (paragraphs B14-B19 “methods based on inputs”) taking into account the relative order budgets.

The above led to a negative adjustment of equity, at 1 January 2020, totalling €47.9 thousand net of tax effects. In reference to the impacts at 31 December 2020 a positive adjustment was recognised on equity equal to €38.8 net of relative tax effects.

## Description of reclassification standards

The adoption of the IFRS-EU Standards also led to certain reclassifications and as such they do not have effect on the profit or loss or on equity but on some lines of the statement of financial position..

***Reclassifications at 1 January 2020***

a) Reclassification of €28 thousand from “Assets from contracts” to “trade receivables” related to the correct classification of payments matured “at point time” according to IFRS 15:
b) Reclassification of €884.9 thousand from “Liabilities from contracts” to “Assets from contracts” compliant with paragraphs 105-107 of IFRS 15.
c) Reclassification of €670 thousand from “Trade payable with parent companies” to “Liabilities from contracts” related to advanced received from the parent Elettronica S.p.A.regard some work to order;

For greater clarity a table is shown below explaining the reclassifications listed above:

| | Reclassification a) | Reclassification b) | Reclassification c) | Total reclassifications |
|---|---|---|---|---|
| Contract derivative assets | (28,000) | (884,929) | | **(912,929)** |
| Contract derivative liabilities | | 884,929 | (670,000) | **214,929** |
| Trade payables | | | 670,000 | **670,000** |
| Trade receivables | 28,000 | | | **28,000** |

***Reclassifications at 31 December 2020***

a) Reclassification of €137.8 thousand from “Trade payables with parent companies” to “Liabilities from contracts” related to advanced received from the parent Elettronica S.p.A.regard some work to order;
b) Reclassification of €90.8 thousand from “Trade payables” to “Other liabilities” and reclassification of €20.4 from “liabilities from contracts” to “other liabilities” related to advances on grants received on projects financed by the EU;
c) Reclassification of €174.3 thousand from “Liabilities from contracts” to “Assets from contracts” compliant with paragraphs 105-107 of IFRS 15.

For greater clarity a table is shown below explaining the reclassifications listed above:

| | Reclassification a) | Reclassification b) | Reclassification b) | Reclassification c) | Total reclassifications |
|---|---|---|---|---|---|
| Contract derivative assets | | | | (174,268) | **(174,268)** |
| Contract derivative liabilities | (137,800) | | 20,430 | 174,268 | **56,898** |

| | | | | | |
|---|---|---|---|---|---|
| Trade payables | 137,800 | 90,773 | | | **228,573** |
| Other liabilities | | (90,773) | (20,430) | | **(111,203)** |

ON BEHALF OF THE BOARD OF DIRECTORS

(Ms. Domitilla Benigni)

(Mr. Emanuele Galtieri)