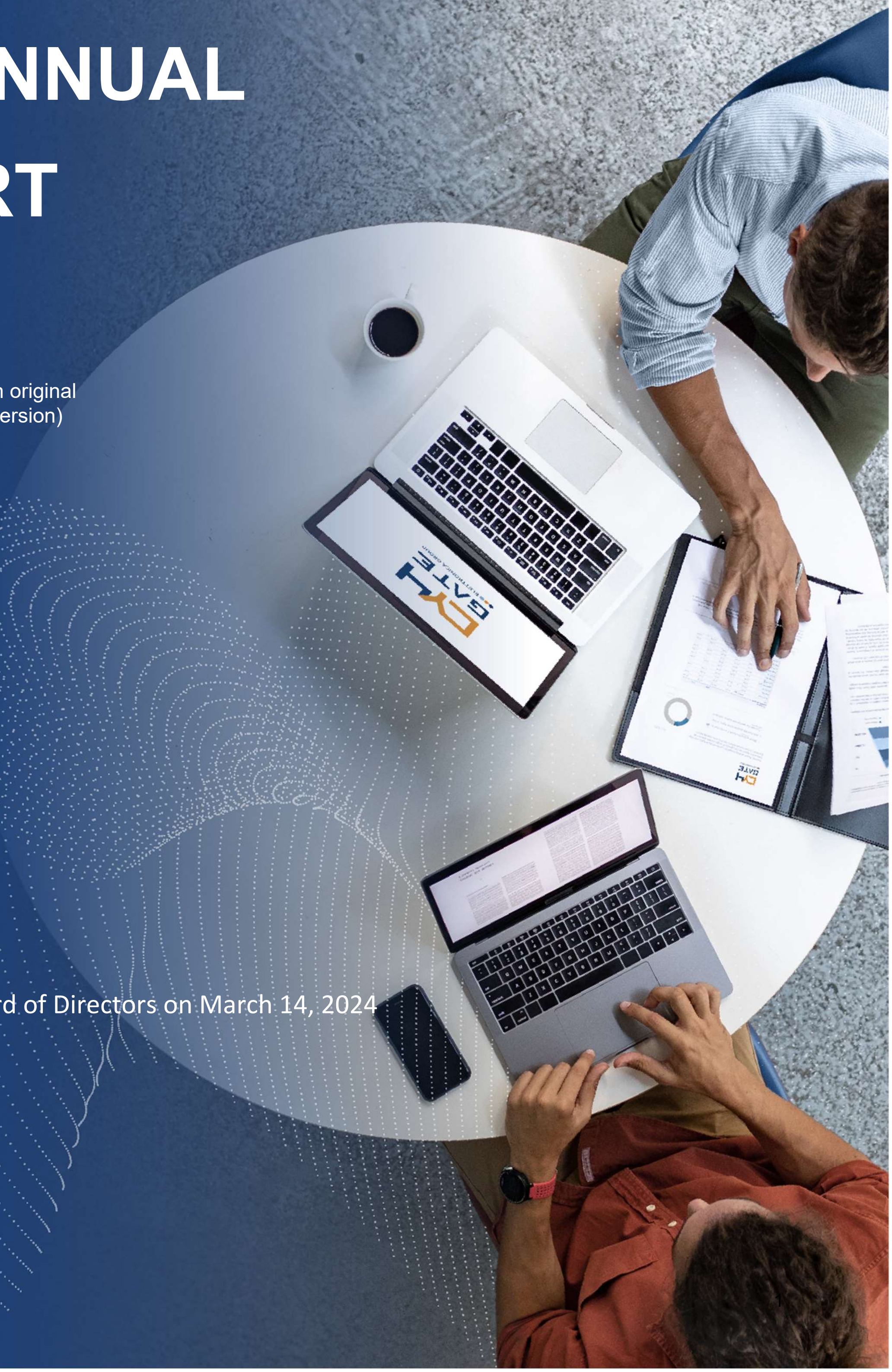
CY4GATE S.P.A.
2023 ANNUAL REPORT

(Translation from the Italian original which remains the official version)



Approved by the Board of Directors on March 14, 2024

CY4GATE GROUP

Details of the parent

CY4Gate S.p.A.

Registered office: Via Coponia 8, 00131 Rome (Italy)

Fully paid-up share capital of

Euro 1.441.499,44

Company registration no.: 13129151000

REA no.: RM – 1426295

VAT no.: 13129151000

www.cy4gate.com

BOARD OF DIRECTORS:

Chairperson	Domitilla Benigni
Managing Director	Emanuele Galtieri
Director	Alberto Luigi Sangiovanni Vincentelli
Director	Alessandra Bucci
Director	Cinzia Parolini
Director	Alessandro Chimenton
Director	Maria Giovanna Calloni
Director	Roberto Ferraresi
Director	Paolo Izzo

BOARD OF STATUTORY AUDITORS:

Chairperson	Stefano Fiorini
Standing statutory auditor	Paolo Grecco
Standing statutory auditor	Daniela Delfrate
Alternate statutory auditor	Allegra Piccini

INDEPENDENT AUDITORS
KPMG S.p.A.*term of engagement until the date of the shareholders' meeting wich approves the Separate financial statements as of December 31, 2031*

CONTENTS

MANAGEMENT REPORT

Management Report

GENERAL INFORMATION

CY4Gate S.p.A. (hereinafter also the "**Parent Company**" or the "**Company**") has prepared this Management Report as a single document referring both to the consolidated financial statements of the CY4Gate Group, and to the separate financial statements of the Company, both prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission. The Management Report provides information on the results and performance of the CY4Gate Group (as defined below) and the Parent Company CY4Gate S.p.A. updated as of December 31, 2023, as well as on significant events occurred in the 2023 year and after the closing of the reference year. This report should be read together with the Financial Statements and the related Explanatory Notes that constitute the consolidated financial statements and the separate financial statements as of and for the year ended December 31, 2023. The consolidated financial statements as of and for the year ended December 31, 2023 include the financial statements of CY4Gate S.p.A. together with its subsidiaries (the "**CY4Gate Group**" or the "**Group**") and were approved and authorized for publication by the Board of Directors of CY4Gate S.p.A. at the meeting of March 14, 2024. CY4Gate S.p.A. is a company whose shares are traded on Euronext STAR Milan, a regulated market organized and managed by Borsa Italiana S.p.A. The Company heads the CY4Gate Group specialized in the design, development and production of technologies, products, systems and services, capable of meeting the most stringent and modern "Cyber Intelligence & Cyber Security" requirements expressed by the Armed Forces, Law Enforcement Agencies and Companies, on the national territory and abroad. A unique Italian industrial project, CY4Gate operates in the 360° cyber market, with proprietary products that meet both the needs for information collection and analysis, and security. The Company is controlled by Elettronica S.p.A., with registered office in Rome.

The Group is not subject to direction and coordination by any of its Shareholders as the Board of Directors of the Company assumes every and most appropriate decision related to the management of activities in full and complete autonomy and independence.

As of the date of preparation of this report, the Board of Directors of CY4Gate S.p.A. is composed as follows:

- Domitilla Benigni (Chairman)
- Emanuele Galtieri (CEO)
- Alessandra Bucci (Independent Director)
- Maria Giovanna Calloni (Independent Director)
- Alessandro Chimenton
- Roberto Ferraresi
- Paolo Izzo
- Cinzia Parolini (Independent Director)
- Alberto Sangiovanni Vincentelli

Economic overview and reference markets

As emerges from the economic bulletin of the Bank of Italy (n.1/2024) the global economy slows down further, in the United States some signs of weakening of economic activity emerge and in China growth remains below pre-pandemic levels. The most recent OECD estimates foresee a slowdown in global GDP to 2.7 percent in 2024, due to restrictive monetary policies and worsening consumer and business confidence. High downside risks remain due to international political tensions, particularly in the Middle East. A modest dynamic of goods and services trade is expected in the current year, which is affected by the weakness of global demand. The prices of oil and natural gas have remained contained despite attacks on naval traffic in the Red Sea.

In the fall, core inflation in the United States and the United Kingdom decreased. Both the Federal Reserve and the Bank of England kept the reference rates unchanged, stating that the orientation of monetary policy will remain restrictive until inflation is back in line with their respective targets. The downward revision of operators' expectations on official rates in the United States and Europe has led to a relaxation of conditions on international financial markets.

In the euro area, economic activity remains weak and the disinflation process consolidates. Stagnation in the euro area would have continued in the final part of 2023, reflecting the weak dynamism of internal and external demand. The persistent weakness of the manufacturing and construction cycle has also extended to services. Employment, however, continued to grow. In recent months, inflation has been lower than expected and disinflation has extended to all the main components of the basket, including those whose prices had started to rise later. In the projections of the Eurosystem experts elaborated in December, the dynamics of consumer prices will decrease further: from 5.4 percent in 2023 to 2.7 in 2024, to 2.1 in 2025, and to 1.9 in 2026.

In the October and December meetings, the ECB's Governing Council left the reference interest rates unchanged, believing that, if kept at current levels for a sufficiently long period, they can make a substantial contribution to the return of inflation to the target of 2 percent. During the second half of 2024, the Council also decided to gradually reduce to zero the reinvestments of the maturing securities purchased under the public and private securities purchase program for the pandemic emergency. In the euro area, past increases in official rates continue to be transmitted to the cost of financing for families and companies; both have significantly decreased the demand for credit. Monetary restriction has contributed to a sharp slowdown in monetary aggregates, particularly driven by the dynamics of current account deposits. Yields on ten-year government bonds have decreased and the spreads of the Italian ones with the corresponding German bonds have fallen.

According to estimates, growth in Italy was virtually nil at the end of 2023, slowed by the tightening of credit conditions, as well as by still high energy prices; consumption stagnated and investments contracted. Activity has started to decline in manufacturing, while it has stabilized in services; it has increased in construction, which continued to benefit from tax incentives. In the projections developed by the Eurosystem, GDP will increase by 0.6 percent in 2024 (compared to 0.7 estimated for 2023) and by 1.1 percent in each of the following two years.

Gross domestic product[1]

I Q 2021	II Q 2021	III Q 2021	IV Q 2021	I Q 2022	II Q 2022	III Q 2022	IV Q 2022	I Q 2023	II Q 2023	III Q 2023	IV Q 2023
+0,2%	+2,6%	+2,7%	+0,7%	+0,1 %	+1,0%	+0,5%	-0,1%	+0,5%	+0,6%	-0,4%	+0,1%

[1] Source: Istat – “Nota mensile sull’andamento dell’economia italiana” – November - December 2023. Percentage changes compared to the previous quarter.

Inflation rate[2]

As of December 31	
2022	**2023**
+11.6%	+0.6%

In October and November of 2023, the labor market showed signs of resilience: employment continued to grow, albeit at a slower pace than in the first part of the year. The participation rate reached a new high since it was calculated, while the unemployment rate remained stable. In the third quarter, the dynamics of wages in the private non-agricultural industry were further strengthened. Profit margins, which remained above pre-pandemic levels despite the recent slight decline, and the drop in input costs could allow companies to absorb wage pressures without triggering new price increases.

The decline in inflation has intensified and has extended to non-energy industrial goods and services. In December, consumer price growth was at 0.5 percent (at 3.0 net of the most volatile components). Families and businesses expect a loosening of inflationary pressures in the short and medium term. According to forecasts developed by Eurosystem, the increase in consumer prices will fall to 1.9 percent in 2024 (from 5.9 in 2023), then gradually decrease to 1.7 in 2026; core inflation will decrease to 2.2 percent this year (from 4.5 in 2023) and will fall below 2 percent in the following two years.

The dynamics of loans still reflect the marked weakness of demand for financing and the rigidity of supply criteria, consistently with the restrictive orientation of monetary policy. Past increases in official rates continue to affect the cost of credit to companies more intensively than historical performance. Monetary restriction is also causing a decline in customer account bank deposits. Profitability improves, the rate of deterioration of loans remains contained, and the level of bank capitalization increases.

According to preliminary information available, in 2023 the deficit and the incidence of debt on the GDP would have been reduced. The budget maneuver for the three-year period 2024-2026 was approved in December; in official evaluations, it increases net debt in 2024 by 0.7 percentage points of GDP compared to the current legislation scenario and It is consistent with only a marginal decrease in the ratio between debt and GDP over the three-year period. In December, the European Union approved the revision of the National Recovery and Resilience Plan and disbursed the fourth payment installment.

In the second half of December, the EU Council reached an agreement on the reform of the Stability and Growth Pact. The agreement incorporates the main innovations of the legislative proposal advanced last spring by the European Commission, namely the centrality of the analysis of debt sustainability in the medium term and the role of negotiations with each Member State to define the budget consolidation process. However, additional numerical criteria have been added, equal for all countries, which constrain the dynamics of debt and the structural deficit. Negotiations are underway between European institutions to perfect the legislative text.

In the global context, the risk of cyber attacks was once again included in the global risk matrix of the World Economic Forum in 2023, ranking fourth in the list of most relevant risks for the next two years are those related to cyber (in)security, which however drops to the eighth place in the 10-year horizon. Regarding Cybersecurity, the gap is widening between companies that have the tools to defend themselves and those that do not have the necessary resources. The risks are intensifying in the face of the digitalization process, which is increasing, and is affecting more

[2] Source: Istat – Comunicato stampa – Prezzi al consumo – dicembre 2023. Percentage changes compared to the same period of the previous year.

and more industries. It is necessary, the report emphasizes, to understand the immediate, medium and long-term implications of these technologies for the IT security of each organization. Emerging technologies can provide solutions to IT insecurity, but the indications are that developments will benefit organizations and societies that are already more advanced and better protected from IT threats. Responding to new threats requires investments and the acquisition of talents that many organizations are not able to face or do not know. For this reason, the percentage of organizations able to protect themselves from IT aggressors or to recover from an IT attack is decreasing.

With reference to the European institutions, the regulatory framework remains anchored on the NIS Directive of 2016, in which European institutions decided to adopt measures to strengthen cyber security in the European Union, and on the Cybersecurity Act of 2020 which constitutes the fundamental part of the new EU strategy for cyber security, which aims to strengthen the Union's resilience to cyber attacks, to create a single market for cyber security in terms of products, services and processes and to increase consumer trust in digital technologies. During 2021, ENISA, the European Agency for Cyber Security, was responsible for defining the technological standards in support of the Cybersecurity Act and the new certification framework at European level for Cybersecurity technologies.

In this context, our country is rapidly aligning with Europe: with the system established by Legislative Decree (D.lgs.) May 18, 2018, n.65 which implemented the European NIS Directive, from Prime Minister Decree (DPCM) of August 8, 2020 which established the Italian CSIRT, and especially with the launch in 2020 of the so-called Cybersecurity perimeter, Italian institutions are responding to the challenges of proper risk management stemming from the Cyber world, defining strategies, principles and adopting the necessary legislative measures to proceed towards a public-private collaborative model, inserted in the supranational context, in protection of the "Country System".

In 2021 a new DPCM was published in the Official Gazette of October 21, 2021, no. 131 and came into force on November 5, 2021 on the Cybersecurity perimeter which determines new national regulation profiles favourable to the creation of European and Italian software digital companies. The DPCM, in fact, identifies a series of critical companies and entities and determines that these latter must be defended by technologies validated at the European/Italian level, leading to a significant increase in entry barriers for many foreign providers.

With the D.lgs. of June 14, 2022, N.82 Italy establishes the National Cybersecurity Agency (ACN), which aims to coordinate public entities in the field of Cybersecurity and the promotion of common actions aimed at ensuring cyber security and resilience for the achievement of national and European autonomy of strategic IT products and processes for the protection of national interests. In 2022 the national cybersecurity strategy and the accompanying implementation plan were also issued, which envisages the achievement of 82 measures by 2026.

In this regulatory framework, there is a strong growth in awareness on cyber issues with positive impacts on the market and business.

On January 17, 2023, the NIS2 Directive came into force, replacing the EU Directive 2016/1148 (also known as "NIS"). The new directive introduces new cybersecurity obligations and assigns greater responsibilities to those operators who provide services of vital importance for the main social and economic activities of the EU (so-called "OSE"), with the aim of improving the management and response capabilities to cyber attacks even in their prodromal phase.

On the topic of cybersecurity, the particularly negative scenario that emerged in 2022 has been confirmed in 2023 as well. In Italy, there has been a 40% increase in cyber attacks, nearly four times higher than the global figure, similar to what occurred in 2021. While it could be argued that there is some improvement compared to 2022, the year-on-year percentage growth in Italy has consistently been higher than the rest of the world since 2019. It went from being 3.2 times the global growth in 2019 compared to 2018, to 5 times in 2021, a staggering 8 times the growth rate worldwide in 2022, and back to 3.7 times in the first half of 2023.

As a result of this growth rate, the impact of Italian data has become concerning in the overall global sample. In 2022, Italian data accounted for 7.6% of the total attacks considered globally, while in the first 6 months of 2023, attacks in Italy represent 9.6% of those recorded in the period.

Globally, there has been a 184% increase in cyber attacks in 2023 compared to the previous year, with a total of 7,068 identified attacks. 91% of the attacks in 2023 have been classified as severe or very severe, and those with critical impacts represent 24%, highlighting significant economic, legal, and reputational repercussions for the victims.[3]

The ongoing diplomatic crisis between Russia and Ukraine, culminating with the start of the conflict on February 24, 2022, following the invasion of the Russian army in the early morning hours in the regions of Luhansk, Chernihiv and Kharkiv, has brought to the fore even more the importance of managing data and sensitive information, and consequently the need to protect them. The conflict has created a scenario rarely seen in the past, materializing in a borderless Cyber guerrilla warfare in support of the attacked and attacking State, with an unprecedented mass participation. The most active front has been that of Anonymous, the collective of activist hackers who, on other occasions, has risen to the headlines for some particularly striking action; and GhostSec, a collective of hackers mostly dedicated to actions against terrorist entities, which from the information circulated would be acting against Russia. On the Russian side, the number of actors would be less numerous although Check Point Software Society has detected a 196% increase in hacker attacks against Ukraine in the first three days of the conflict. Furthermore, the attacks do not seem to have been limited to the parties directly involved in the clash but would have involved a multitude of European States. These actions have been attributed to the Russian government in order to infect, through destructive malware, the computers of various Ukrainian government agencies just before the military offensive. Ultimately, cyber warfare seems to be increasingly central, not only in low-intensity conflicts where the superpowers aim not to get involved in a conflict, but also as an additional weapon available for the operational management of conflicts on the field.

The CY4Gate Group (hereinafter: CY4 or CY4Gate) structures its *value proposition* through two main business lines: Cyber Intelligence and Cybersecurity, dividing its offer between products and services in both business lines. More specifically, the Cyber Intelligence segment is made up of proprietary "Decision intelligence" products and "Forensic Analysis" products, while the Cybersecurity segment can rely on products and technologies for Cybersecurity as well as a part dedicated to consulting, training and Cybersecurity services.

In particular, the Group operates in the design, development and production of technologies, products, systems and services in order to meet the needs of "cyber intelligence and cyber security" expressed by companies, Public Institutions, Police Forces, Italian and foreign Armed Forces that, in the use of communication networks, IOT and OT networks - i.e. in the process of connecting various physical objects to the internet - and the related data flows, must guarantee high standards of security and resilience against cyber attacks and express the need to correlate significant volumes of data (so-called big data) to enable decision-makers in the timely adoption of relevant initiatives and actions (so-called decision intelligence).

Thanks to recent acquisitions, the Group's commercial offer has been extended with a wider portfolio of products that have enriched both business lines, cyber security and cyber intelligence, with cutting-edge software platforms capable of acting as gap fillers in relation to the emerging and increasingly challenging requirements demanded by customers and related to the evolution of technologies and threat scenarios. Therefore, the process of establishing a 360° hub of skills and technologies at national and European level in the cyber domain has started and is being consolidated, with the CY4Gate group now able to rely on a portfolio of proprietary products - capable of providing an integrated response to major digital transformation, decision intelligence and cyber security projects - that has improved the customer value proposition, increasingly directed towards a "one stop shop" approach in the relevant industry.

Furthermore, with the recent acquisition of a 77.8% stake in the share capital of XTN Cognitive Security completed at the end of January 2024, the Group has entered a new and complementary business context that enriches and

[3] Source: “Cybersecurity: nel 2023 +184% attacchi, il report Assintel”, finanza.repubblica.it/News, March 22, 2024.

completes the offering on cybersecurity, allowing it to enter the world of banking fraud and mobile protection from malware and account takeover in other important industries such as the automotive world.

The Group continues to be active also in the European reference panorama, participating - directly and/or through commercial partners - in projects of the European Union, among which stand out:

- ECYSAP Project: it is a European project for information defense (also known as "European Cyber Situational Awareness Platform") whose main objective is the creation of a European platform for cyber situational awareness capable of improving the work carried out by military personnel in cyber missions.
- REACT Project: it is the project named "Responsive Electronic Attack for Cooperative Task'' and aims at the development of the so-called CEMA (Cyber Electro Magnetic Activities) capability and cyber resilience in the avionics domain.
- GEODE Project: it is the project named "GalilEO for EU DEfence" which involves the development of military capabilities within the European Union, using the European satellite geo-localization system Galileo and in particular the "Public Regulated Service" (PRS).
- CERERE Project: it is the project named "Cyber Electromagnetic Resilience Evaluation on Replicated Environment" which aims to develop an advanced capability to verify the cyber resilience of systems to planning and/or execution activities of attack chains through the use of the electromagnetic spectrum (i.e., the so-called "Cyber Electro Magnetic Activities").
- CYBER4DE Project: launched as part of the European Industrial Development Programme for Defence in December 2021, the "Cyber Rapid Response Toolbox for Defence Use" (CYBER4DE) project tackles the challenge of developing a modular and scalable rapid response system to handle cyber incidents in various complex national and international scenarios, aiming to ensure a higher level of cyber resilience and collective response to cyber incidents by improving the processes and practices of the Cyber Rapid Response Teams (CRT).

The main *end markets* for these business lines are the so-called "AIRO" market (Cybersecurity Analytics, Intelligence, Response and Orchestration), as defined by the IDC Report Analyze the Future (the "IDC Report"), the Decision Intelligence market, which among the subcategories also includes "Forensic Analysis" as defined by the Market Research Future and Technavio report. The reference market is therefore represented by various industries in which the Company operates, both locally and internationally.

The Cyber market

Digitalization and data protection represent a fundamental pillar for the development of companies and the proper functioning of institutions as they guarantee the sustainability of business models and the traceability of information in a context characterized by a high technological content and the rapid introduction of innovative technologies capable of radically modifying this context.

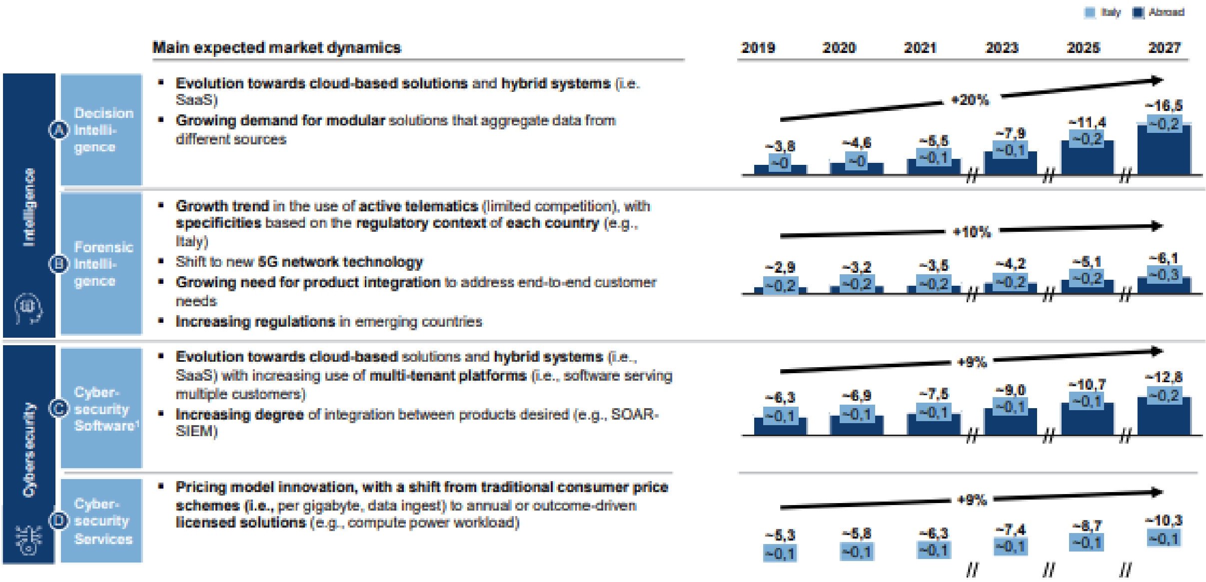
Starting from the global value of approx. EUR 5.5 billion in 2021 (of which ~65-75% from North America and Europe), the Decision Intelligence market is expected to grow by ~20% per year until 2027, thanks also to the increase in quantity and complexity of data (e.g., 4x data available in the world in 2025 vs. in 2020) and to the spending of the Defense segment.

On a global level, Forensic Intelligence (e.g., lawful interception) represents an opportunity of EUR 3-4 billion, with an expected growth in 2027 of ~10% p.a., thanks to the spread of new products/services (e.g., active telematics) and increasing regulatory support. The Group holds a market share of ~20% in Italy.

As of 2021, the market for Cybersecurity products (e.g., SIEM/SOAR) is worth ~8 billion EUR, with an annual growth expected in 2027 of ~9%, in Italy also thanks to the PNRR (despite an initial slowdown in the disbursement roadmap).

The Cybersecurity Services market represents an opportunity of ~6 billion EUR, with an annual growth expected in 2027 of ~9% mainly driven by penetration testing, due to the increasing number of cyber attacks, the proliferation of end-points and the “visibility gap”.

The following are the main dynamics that characterize the market with the respective growth rates.



Contrary to expectations, the impacts deriving from the PNRR funds have been very limited, and it is believed that only from 2024 will the first concrete effects be perceived.

Significant events of the year

COMPLETION OF THE TRANSLISTING PROCESS AND SUBSEQUENT ADMISSION TO TRADING ON EURONEXT MILAN – STAR SEGMENT

On June 19, 2023, Borsa Italiana, with provision no. 8956, arranged for the listing on the regulated market Euronext STAR Milan, organized and managed by Borsa Italiana, of the ordinary shares of CY4Gate. With the same provision, Borsa Italiana arranged for the simultaneous revocation from trading on Euronext Growth Milan of the ordinary shares of CY4Gate. On the same date, CY4Gate also submitted to Borsa Italiana the application for admission to trading on Euronext STAR Milan of its ordinary shares.

On June 21, 2023, the National Commission for Companies and the Stock Exchange (“Consob”) authorized, with protocol 0058506/23 of June 21, 2023, the publication of the Information Prospectus relating to the admission to trading on the regulated market Euronext STAR Milan of the ordinary shares of CY4. The approval of the Information Prospectus by Consob followed the measure of Borsa Italiana mentioned above, with which the admission to listing on Euronext STAR Milan of the ordinary shares of the Company (ISIN IT0005412504) was ordered.

On June 22, 2023, Borsa Italiana ordered, with notice no. 24453, the start of trading on the regulated market Euronext Milan – STAR Segment of the ordinary shares of the Company (ISIN IT0005412504) starting from Monday, June 26, 2023. On the same date, the ordinary shares of CY4 were revoked from trading on Euronext Growth Milan.

ACQUISITION OF DIATEAM

On January 31, 2023, following the communication dated October 20, 2022 and decided by the Board of Directors of CY4GATE on October 3, 2022, following the occurrence of certain conditions precedent, already made known to the market, including the conclusion of the authorization procedure by the competent French authorities (the company being subject to control similar to the so-called Golden Power), the closing of the operation relating to the acquisition of 55.33% of Diateam SaS (hereinafter also "Diateam"), a French company specializing in the design, development and implementation of the cyber hybrid digital twin, i.e., an advanced system for testing, validation and training in the domain of cyber security, for government and corporate clients, was carried out.
The consideration amounted to Euro 5.5 million, agreed on the basis of an Enterprise Value of approximately Euro 10 million and on the ongoing management of the company by the operating partners. An earn-out based on the 2022 EBITDA, 2022 turnover and the adjustment of the NFP at the closing date (Euro 2.2 million) was included in the agreement. The transfer agreement also provides for (i) "Put and Call agreements" exercisable in the three-year period 2024 - 2026 in order to allow CY4Gate to acquire 100% of the capital of DIATEAM, and (ii) some contractual clauses aimed to guarantee some rights to minorities and to protect the acquired value in the long run, including the commitment of the operating partners to stay and the non-compete agreement towards all sellers.
The strategy of the investment in Diateam primarily aims to broaden the offering of CY4Gate in the cyber security segment with a technology not present in Italy and with few equals in Europe, while also allowing to consolidate the Group beyond the national market thanks to the opportunities of upselling and cross-selling on portfolio customers. Moreover, the technological and professional synergies allow to enrich the know-how of both corporate realities as well as integrate and enrich the Group's customer value proposition along the cyber security value chain.

OTHER SIGNIFICANT EVENTS

On July 26, 2023, CY4 received and acknowledged the resignation of the Director Enrico Peruzzi and appointed Alessandro Chimenton as his replacement. On the same date, the Board of Directors of CY4Gate resolved, following a favorable opinion from the Nomination and Remuneration Committee, the free allocation of no. 427,500 rights valid for the assignment of ordinary shares of CY4Gate S.p.A. in the ratio of no. 1 share for each right exercised to certain beneficiaries invested with strategically relevant functions within CY4Gate S.p.A. and its subsidiaries. The rights can be exercised in accordance with the terms and conditions provided in the 2023-2025 stock grant plan. In particular, it should be noted that the share-based incentive plan will last three years and will focus on the allocation of stock grants upon reaching certain objectives:

- an Annual Financial - Industrial Objective (45% of the total premium, 15% for each year of the Plan);
- an Annual ESG Objective (15% of the total premium, 5% for each year of the Plan);
- a Three-Year Objective linked to the performance of the title during the three-year duration of the Plan (40% of the total premium).

The Plan also provides for a so-called "extra-bonus" objective, in case of exceeding the Three-Year Objective.

On August 2, 2023, CY4 and JAKALA, a leading MarTech company in digital transformation, announced their collaboration in the development of ProntoCyber®: the first e-commerce platform for cybersecurity designed for professionals, SMEs and Large Enterprises. This is an ambitious project that leverages JAKALA's digital skills to serve Cy4Gate's cyber domain knowledge, creating a solution that fits into the strategic portfolio of the Company and aims to address and solve the needs in cyber security for the market segment of Professionals and SMEs, particularly exposed to cyber risks and poorly supported from a cyber resilience point of view due to a shortage of skills and economic resources to invest in appropriate technologies and services.

On August 8, 2023, following the authorization obtained from the Shareholders' Meeting on April 27, 2023, the Board of Directors of CY4Gate initiated a program to purchase treasury stock. For this purpose, CY4 entered into a share buy-back contract with Equita SIM S.p.A. on July 31, 2023, an intermediary for the purchase of the Company's shares in full independence, in accordance with the parameters and criteria contractually defined, as well as the constraints of the applicable regulations, including Regulation (EU) No. 596/2014 (the "MAR"), and within the limits of the shareholders' authorization. The main objectives underlying the Program are: (i) to have treasury stock to be used for incentive plans for the members of the board of directors, employees or collaborators of the Company that involve the disposition or assignment of shares or convertible financial instruments in shares; (ii) to have a securities portfolio (so-called stock warehouse) to be used, in line with the strategic lines of the Company, in service of possible non-recurring transactions and/or the possible use of the shares as consideration in non-recurring transactions, also for the exchange of equity investments, with other parties in the context of transactions of interest to the Company. The program to purchase treasury stock concluded in the early months of 2024. For further information, please refer to the press release published in the specific "investor relations" section of the CY4 website: www.cy4gate.com.

The CY4Gate Group in year 2023 continued to make its overall value proposition more attractive, with clear product and service definitions, further developing its product catalog in the Cybersecurity, Intelligence, and CyberElectronicWarfare industries in collaboration with Elettronica S.p.A., as well as with significant players in the national scene. The main activities carried out in this regard during the year include:

- considerable resources dedicated to Research and Development activities for products capable of offering customers innovative and cutting-edge technological solutions;
- strengthening of the workforce during the year, hiring 118 resources, most of them dedicated to technical areas, compared to 84 departures, plus 28 resources who joined the Group following the acquisition of Diateam, which is further discussed below. The average number of employees in the Group in 2023 was 495. In 2023, CY4 also made use of external strategic resources for product development;
- definition of important collaboration agreements with highly relevant players in the national scene;
- new improvements of the state-of-the-art IT infrastructure, a key enabler for business development, in compliance with the particularly challenging requirements of the NIS Directive, as the company is included in the so-called "National Cybernetic Perimeter";
- in terms of Quality Management, the Group holds ISO9001 certification, as well as ISO27001 certification, adopting a Privacy Management System in accordance with the current EU Reg. no. 679/16;
- NCAGE code (NATO Commercial and Governmental Entity Code);
- License ex. Art 28 of the TULPS (Law on public security) for the design, manufacture, possession and sale of electronic equipment specifically designed for military use for the Armed Forces and Police Forces, both national and foreign;
- holding of NOSI (Industrial Security Clearance) since 2021, which in the Italian system is a clearance to handle information, documents or materials classified from very confidential up to top secret;
- update of its Model of Organization, Management and Control during 2023, in accordance with Legislative Decree 231/01, taking into account recent legislative and internal organizational changes, the transition to the Star segment of Borsa Italiana SpA, and the new ISO 27001 certification, in line with the evolution of jurisprudence and national and international best practices;
- the Control, Risk and Sustainability Committee was also established during 2023; the Nominations and Remuneration Committee; the Reporting Committee, composed of the Heads of the Group Human Resources, Legal & Shared Services, Group Accounting, Finance, Controlling and Procurement organisational units; the Internal Auditor function was established; the Anti-Corruption Code was updated; the Corruption Prevention Coordination and Consultation Body was established, composed of the pro tempore Chairman of the Reporting Committee, and the Chairmen of the Board of Statutory Auditors and the Supervisory Body ex D.Lgs. 231/01, which reports annually on the activities carried out to the Board of Directors, the Board of Statutory Auditors, and the Supervisory Body ex D.Lgs. 231/01;
- in February 2023, the Group obtained the legality rating, after a process started in 2022.

In the ESG field, the Group was nominated for the second consecutive year among the finalists of the Real Deals ESG Awards, ESG Tech category; an initiative promoted by one of the leading international private equity magazines with the aim of identifying and celebrating those who are making positive changes through ESG in private equity. Also for the year 2023, the Group publishes the non-financial information by publishing the Sustainability Report, which does not constitute a Non-Financial Declaration (NFD) under D.Lgs. 254/2016. As it does not exceed 500 employees employed on average during the year 2023, the Group is not subject to the obligation to publish the Non-Financial Declaration provided for by D.Lgs. 254/2016.

FINANCIAL RESULTS OF THE GROUP AND MAIN PERFORMANCE INDICATORS

The results of 2023 confirm the Group's consolidated growth path, which has continued its intense business development activity in the domestic and international market, concluded with a significant increase in order acquisition compared to the previous year + 22%, confirming the solidity and scalability of the business model, initiating a backlog creation process and focused on technological solutions capable of meeting the increasingly challenging needs of *cyber intelligence* and *cyber security*.

Consolidated Revenues show an increase compared to those of the previous year due to the full consolidation of the RCS Group (formerly Aurora) completed on March 30, 2022 and the acquisition of control of the French subsidiary Diateam in the year under review. These M&A operations transactions have allowed, respectively, the start and continuation of a process of creating a 360° national skills and technology hub in the field of cyber intelligence and cyber security, through a portfolio of proprietary products suitable to provide an integrated response to the important projects of *digital transformation* and emerging *cyber security*, enabling significant synergies for the consolidation and strengthening of the entire technological and product portfolio in cyber intelligence and cyber security in the domestic and international market.

The scenario of uncertainty and instability linked to geopolitical factors and overall instability in various parts of the world has however significantly characterized the year, especially on the foreign market, with a strong slowdown in negotiating activities in the last two months of the year, usually heralding important contracts with Institutional entities, thus slowing the organic growth of the group which recorded revenues in line with the previous year net of the effect of M&A transactions.

The slowdown has impacted across the board on the markets in which the Group operates; in particular, from a *like for like* comparison with the 2022 year, the following emerged:

- regarding the Decision Intelligence market, revenue stood at 26.8 million euros in 2023 (+ 1.5%) vs 26.4 million euros in 2022 with an increase of 1.5%. Sales recorded a significant slowdown in the Italian LEA (law enforcement agency) market due to a reduction in activities in terms of duration of use of the platforms remunerated in the form of daily rent per target, compensated for by an increase in revenue in foreign markets. The lack of growth is instead partly due to the failure to realize expected license sales in Italy in both the Institutional and Corporate markets; in the latter, in particular, the positive effect expected from the PNRR was not observed. The year 2023 also highlighted how the market intends to privilege standard products/licenses with the use of artificial intelligence to the purchase of basic platforms to be customized to specific needs;
- the Forensic Intelligence market recorded a performance in line with the previous year, 30.0 million euros in 2023 vs 30.5 million euros (- 1.6%). Sales in this case recorded a slight slowdown in the Italian LEA market (also conditioned here by the average duration of activities and the constant availability of enabling technologies) compensated by foreign sales where the largest number of commercial opportunities was recorded, which however did not see the conclusion of the award and contracting process within the closing of the year. This did not allow to positively influence - as in previous years - the recognition of revenue, still linked to a seasonal effect typical of the Group. The main reasons can be traced back to the delay in the completion of some foreign tenders due to the

international crisis context that generated "*stop&go*" bureaucratic obstacles, both in the impossibility of finalizing a significant foreign order in the field of Cyber intelligence worth Euro 13 million, originally awarded at the end of November with a condition precedent independent from both parties, resulting in the need for the end customer to reallocate the budget and restart negotiation procedures in 2024;

- as far as the Cyber Security market is concerned; revenue stood at 9.7 € million in 2023 vs 10.8 € million in 2022 with a decrease of 10% and with an important change in mix between product sales (37% in 2023) and service sales (63% in 2023) with an increase in services of 2.2x between 2023 and 2022 (with lower license sales of about 6 € million). The causes of this change in mix can be traced back to the combined effect of a (i) failure to implement projects on cyber products financed by the PNRR (National Recovery and Resilience Plan) with priority use of funds on existing and awarded service agreements with CONSIP model tenders that currently do not fall within the strategic perimeter of the Group or on national competence centers (eg: Cyber4.0) that the Group oversees (ii) greater growth of the cyber services market due to the growth trend of the phenomenon of servitization of cybersecurity mainly related to the lack of cyber professionalism in both medium and large companies (iii) restructuring of the Corporate commercial structure due to the turnover of resources during 2023 (iv) delay in the award of foreign projects in pipeline. The change in mix between licenses and services and the lower revenue in the final part of the year, expected in particular as license acquisition that would have rebalanced the weight of service activities, has significantly influenced the reduction in profitability of the Group in terms of EBITDA as well.

Despite this, the Group has continued to invest to expand its product portfolio and structure itself to face future challenges in relation to the significant increase in opportunities. R&D investments have been made in all three segments with a predominant focus still in Decision and Forensic Intelligence where, for the first year, the activities carried out on RCS have also been capitalized. The Forensic Intelligence activities have also been the subject of a reorganization and efficiency operation that was completed in the first months of 2024 with the transfer of assets to RCS in order to have a centralized governance of both development skills and delivery of Forensic Intelligence also in relation to the acceleration of the rate of innovation that has manifested in the market and which, if on the one hand is requiring more investments, on the other hand has revealed the Group as an international leader.

The company also completed the organizational consolidation process, achieving an even more efficient organizational structure that will allow to reach future ambitions benefiting from economies of scale and scope, net of the necessary strengthening of the commercial structure partly already started from the second half of 2023.

The acquisition of orders, the growth of Backlog and ARR (*Annual Recurring Revenues)* which in 2024 cover over 75% of the revenue of the previous year and the growth of the pipeline confirm that the strategic vision and ambition of the company, supported by significant M&A transactions that took place in the two-year period 2022-2023, are leading towards a progressive consolidation of a leadership position of CY4Gate in Italy and abroad.

MAIN ALTERNATIVE INDICATORS OF THE GROUP'S PERFORMANCE

The management of CY4Gate evaluates the performance of the Group based on some indicators discussed below. In particular, EBITDA is used as the main profitability indicator, as it allows to analyze the Group's margin by eliminating the effects arising from volatility originated from non-recurring, exceptional or extraneous economic elements to ordinary management. In the following, in addition to the financial indicators provided by the International Financial Reporting Standards (IFRS), some indicators derived from these latter, although not provided for by the IFRS (Alternative Performance Indicators), and the components of each of these indicators are presented:

- **Adjusted EBITDA** is calculated by adjusting the profit/(loss) for the year to exclude the effect of taxes, net financial income/(expense), depreciation and amortization and impairments of financial assets as well as expenses considered by the Group to be non-recurring and exceptional related to (i) the transaction costs of the acquisition by CY4Gate of 55.33% of the capital of Diateam (also referred to as the "Acquisition"), (ii) the amortization resulting from the purchase price allocation (PPA) following the allocation of part of the Acquisition price to intangible assets, with regard to the consolidated financial statements and (iii) the translisting process;

- **EBIT** is calculated by adjusting the profit/(loss) for the year to exclude the effect of taxes and financial income/(expense);
- **Adjusted EBIT** is calculated by adjusting the profit/(loss) for the year to exclude the effect of taxes, financial income/(expense), as well as the expenses considered by the Group as non-recurring and exceptional as described above;
- **Adjusted EBITDA margin** is calculated as a ratio between Adjusted EBITDA, as previously described, and total revenue;
- **Net financial position** is calculated by subtracting cash and cash equivalents and current financial assets from current and non-current financial liabilities;
- **Adjusted net financial position** is calculated by excluding events considered by the Group to be non-characteristic and/or linked to non-recurring transactions from the net financial position. In particular, from a consolidated financial statements perspective, reference is made to the financial liability recorded in relation to Diateam's business combination in order to reflect the present value of the liability arising from the put liability provided for in the acquisition contract on the remaining 44.67% of the share capital of the subsidiary; from the Parent Company's financial statements perspective, reference is made to the financial income recorded due to the change in fair value of the financial asset accounted for because of the aforementioned put option.

It was deemed appropriate to present these performance values at consolidated level in order to represent the financial trend of the Group net of non-recurring events, non-characteristic events and events related to non-recurring transactions, as identified. These indicators reflect the main economic and financial figures, minus the non-recurring income and expense not strictly correlated to the core business activity and therefore allow a performance analysis more consistent with previous periods.
The tables below present the main changes that have characterized the Group's trend compared to the previous year. In this regard, it should be noted that the 2023 year data include, compared to the 2022 comparison, the balances of Diateam acquired from January 1, 2023, as well as 12 full months of RCS Group results, "only" consolidated for 9 months in 2022, i.e. from the date of acquisition of control (March 31, 2023).

CONSOLIDATED RECLASSIFIED STATEMENT OF PROFIT OF LOSS

Reclassified Statement of profit and loss	For the year ended	
(in Euro)	**December 31, 2023**	**December 31, 2022**
Revenue	66,489,052	54,062,437
Other revenue and income	1,775,266	2,582,873
Revenue	**68,264,318**	**56,645,310**
Purchases, services and other operating costs	27,144,755	18,735,836
Personnel expenses	29,056,401	21,083,754
Costs	**56,201,156**	**39,819,590**
Adjusted EBITDA	**12,063,162**	**16,825,720**
Adjusted EBITDA Margin	**18%**	**30%**
Depreciation, amortization net impairment losses of financial assets and provisions	12,270,083	9,880,651
Adjusted EBIT	**(206,921)**	**6,945,069**
Non-recurring costs (one off)	2,747,305	3,668,917
Depreciation and amortization (related to PPA)	4,519,417	3,067,835
EBIT	**(7,473,643)**	**208,318**
Net financial expense	(2,019,473)	(890,595)
Income taxes	594,951	3,156,115
Profit/(loss) for the year	**(8,898,165)**	**2,473,838**
of which, attributable to non-controlling interests	***1,806,514***	***733,962***
Earnings/(loss) per share	***(0.38)***	***0.10***

Group investments in Research and Development activities amount to Euro 7,267 thousand in 2023 (Euro 3,630 thousand in 2022).

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

Reclassified Statement of Financial Position	As of	
(in Euro)	**December 31, 2023**	**December 31, 2022**
Non-current assets	**87,936,990**	**70,124,338**
Inventories	759,066	777,399
Contract assets/(liabilities), net	3,109,905	(957,088)
Trade receivables	53,651,187	64,488,220
Trade payables	(14,377,973)	(10,571,286)
Operating working capital	**43,142,185**	**53,737,245**
Other liabilities, net	(6,307,719)	(4,383,805)
Net working capital	**36,834,466**	**49,353,440**
Net invested capital	**124,771,456**	**119,477,778**
Cash and cash equivalents	17,561,190	19,885,505
Financial assets	1,369,509	1,807,337
Financial liabilities	(23,057,988)	(15,379,687)
Lease liabilities	(3,778,467)	(3,251,144)
Net financial position (indebtedness) adjusted	**(7,905,756)**	**3,062,011**
Adjustments for extraordinary events and/or non-recurring transactions	(5,740,397)	-
Equity	**(111,125,303)**	**(122,539,788)**
Total sources	**(124,771,456)**	**(119,477,778)**

Below are reported some comments on the main figures of the Group and of the parent company CY4Gate S.p.A. presented above:

Group revenue for 2023 amount to Euro 66 million, with an increase of 23% compared to the year ended December 31, 2022 (Euro 54 million), with the recent acquisition that has strengthened the *"cyber security"* segment. The parent company contributes to these revenue for Euro 17 million (-33% compared to the Euro 25 million of revenue for the year ended December 31, 2022). Group purchases, services and personnel expenses amount to approximately Euro 58.9 million (Euro 43.5 million in 2022), with a contribution from the parent company of Euro 20 million (Euro 16 million for the year ended December 31, 2022). The increase compared to the previous year is essentially due to the increase of:

- the cost for raw materials and services which have undergone an increase mainly linked to business volumes, with a lesser incidence compared to revenue due to the different product/service mix;
- personnel expenses which are attributable to the strengthening of the structure with particular reference to engineering to meet the needs of R&D projects and contractual deliveries, as well as, from the consolidated financial statements perspective, the increase in costs related to Diateam personnel acquired with the transaction.

Group Adjusted EBITDA amounted to Euro 12.1 million (Euro 16.8 million for 2022) with an Adjusted EBITDA Margin of 18%. With reference to the parent company, its Adjusted EBITDA for the year ended December 31, 2023 was negative for Euro 2.1 million (positive for Euro 10.4 million for the year ended December 31, 2022).

Group depreciation, amortization and impairment losses collectively amounted to Euro 16.8 million (Euro 12.9 million for the year ended December 31, 2022). The greater impact of amortization and depreciation as a percentage of revenue is essentially linked to the Purchase Price Allocation (Euro 4.5 million of amortization and depreciation for the year) carried out on the higher value of the assets acquired from the RCS Group and Diateam acquisitions, which respectively led to the allocation of about Euro 12 million and Euro 3 million on the recognition of proprietary software. These intangible assets, recognized in accordance with IFRS3, will be respectively amortized in 3 and in 7 years.

Group Adjusted EBIT is negative for Euro 0.2 million (positive for Euro 6.9 million for the year ended December 31, 2022), for what commented above, as well as for the non-recurring costs incurred during 2023 mainly attributable to activities related to the translisting and integration transaction (which resulted in costs in the year of Euro 2,747 thousand, of which Euro 1,595 thousand attributable to CY4Gate S.p.A).
The net balance of income taxes is positive for Euro 0.6 million due mainly to the setting aside of deferred tax assets allocated mainly in response to tax losses and from the discharge of deferred taxes connected to the purchase price allocation following the acquisition of the RCS Group, during 2022, and of Diateam during 2023. As a result of the above, the loss for the year amounted to Euro 8.9 million compared to a profit of Euro 2.5 million for 2022. With reference to CY4Gate S.p.A., income taxes are positive for Euro 0.2 million; the loss for the year amounted to Euro 11.1 million compared to the profit of Euro 4.5 million for the year ended December 31, 2022.

Total Group equity amounted to Euro 111.1 million as of December 31, 2023 (Euro 122.5 million as of December 31, 2022).
The adjusted net financial position is negative for Euro 7.9 million compared to December 31, 2022 where it was cash positive for Euro 3.1 million (both inclusive of the lease liabilities under IFRS 16). This value, however, in 2023 excludes Euro 5.7 million, included in the “Adjustments for non-extraordinary events and/or non-recurring transactions”, representing the present value of the put liability provided for by the acquisition contract on the remaining 44.67% of the share capital of Diateam S.a.s. This put liability was recognized in the consolidated financial statements of CY4Gate following the application of the acquisition method as permitted by the reference accounting standards.
With reference to other financial liabilities, they are mainly composed of bank loans and borrowings subscribed by the parent company for the acquisition of the RCS Group for Euro 12.5 million and for the acquisition of Diateam for Euro 5.5 million, and lease liabilities resulting from the application of IFRS 16 for Euro 3.8 million.

As for the parent company, the equity amounted to Euro 111 million as of December 31, 2023 (Euro 124 million as of December 31, 2022). For the reconciliation between consolidated and separate equity, please refer to the following detailed table.

	Equity as of December 31, 2023 before result for the year	Result for the year ended December 31, 2023	Equity as of December 31, 2023	Equity as of December 31, 2022 before result for the year	Result for the year ended December 31, 2022	Equity as of December 31, 2022
CY4Gate S.p.A.	**122,112,383**	**(11,104,148)**	**111,008,235**	**119,281,973**	**4,528,088**	**123,810,061**
Subsidiaries' equity and result for the year	37,695,765	6,932,003	44,627,768	31,381,899	4,919,615	36,301,514
Non-controlling interests	(769,177)	(1,806,514)	(2,575,691)	(1,158,273)	(264,375)	(1,422,648)
Elimination of investments in subsidiaries	(81,859,590)	-	(81,859,590)	(76,162,411)	-	(76,162,411)
Goodwill recognition	41,589,067	-	41,589,067	35,307,265	-	35,307,265
Purchase Price Allocation effects	8,801,658	(3,233,293)	5,568,365	8,735,613	(2,183,685)	6,551,928
Put financial liability recognition	(5,187,182)	(596,347)	(5,783,529)	-	-	-
Other consolidation adjustments	(3,128,633)	(896,383)	(4,025,016)	1,521,616	(4,790,182)	(3,268,566)
Total shareholders' equity	**119,254,291**	**(10,704,682)**	**108,549,609**	**118,907,682**	**2,209,462**	**121,117,143**
Equity attributable to non-controlling interests	769,177	1,806,514	2,575,691	1,158,273	264,375	1,422,648
Total equity	**120,023,468**	**(8,898,168)**	**111,125,300**	**120,065,955**	**2,473,836**	**122,539,791**

The adjusted net financial position of CY4Gate S.p.A. is negative for Euro 15 million as of December 31, 2023 (negative for Euro 0.4 million as of December 31, 2022), including lease liabilities under IFRS 16. As of December 31, 2023, the amount excludes the fair value of the option connected to the purchase of the remaining 44.67% of the share capital of Diateam amounting to Euro 43 thousand, included in the “Adjustments for extraordinary events and/or non-recurring transactions”.

CONSOLIDATED NET FINANCIAL POSITION

The following is the detailed statement of the composition of the Net Financial Position of the Group as of December 31, 2023, as required by Consob communication no. DEM/6064293 of July 28, 2006 and in compliance with Warning no. 5/21 issued by Consob on April 29, 2021 with reference to ESMA Orientation 32-382-1128 of March 4, 2021.
For the same detail relating to the Parent Company, please refer to Note 23 "Current and non-current financial liabilities" of CY4Gate S.p.A. financial statements as of December 31, 2023.

	As of December 31			
(in Euro)	**2023**	*of which to related parties*	**2022**	*of which to related parties*
A. Cash	(17,561,190)	-	(19,885,505)	-
B. Cash equivalents	-	-	-	-
C. Other current financial assets	(985,189)	*(19,000)*	(1,028,328)	*(6,000)*
D. Liquidity (A+B+C)	**(18,546,379)**	***(19,000)***	**(20,913,833)**	***(6,000)***
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	1,297,081	-	1,323,625	-
F. Current portion of non-current financial debt	8,030,891	*244,994*	3,198,853	*233,171*
G. Current financial indebtedness (E+F)	**9,327,972**	***244,994***	**4,522,478**	***233,171***
H. Net current financial indebtedness (G+D)	**(9,218,407)**	***225,994***	**(16,391,355)**	***227,171***
I. Non-current financial debt (excluding current portion and debt instruments)	22,932,633	*729,795*	13,374,094	*964,971*
J. Debt instruments	-	-	-	-
K. Non-current trade and other payables	-	-	-	-
L. Non-current financial indebtedness (I+J+K)	**22,932,633**	***729,795***	**13,374,094**	***964,971***
M. Total financial indebtedness as per ESMA Recommendation of March 4, 2021 (H+L)	**13,714,226**	***955,789***	**(3,017,261)**	***1,192,142***
N. Non-current financial assets	(68,066)	-	(44,750)	-
Net Financial Position (indebtedness) (M+N)	**13,646,160**	***955,789***	**(3,062,011)**	***1,192,142***
O. Adjustments for extraordinary events and/or non-recurring transactions	(5,740,397)	-	-	-
Adjusted Net Financial Position (indebtedness) (M+N+O)	**7,905,763**	***951,789***	**(3,062,011)**	***1,192,142***

The item "C. Other current financial assets" includes the item of the consolidated financial statements as of December 31, 2023 relating to current financial assets (Euro 1,216 thousand) excluding derivative financial instruments classified in this item (Euro 231 thousand).

The item "E. Current financial debt" includes the current portion of the items in the consolidated financial statements as of December 31, 2023 for loans (Euro 1,125 thousand) and other loans and borrowings (Euro 172 thousand).

The item "F. Current portion of non-current financial debt" includes the current portion of the item in the consolidated financial statements as of December 31, 2023 related to loans (Euro 5,389 thousand) and to the liability connected to the put option on business combinations (Euro 1,666 thousand), the current portion of the item in the consolidated financial statements as of December 31, 2023 related to current lease liabilities (Euro 1,207 thousand), as well as the current portion of financial derivative instruments (Euro 231 thousand).

The item "I. Non-current financial debt" includes items in the consolidated financial statements as of December 31, 2023 related to non-current financial liabilities related to loans (Euro 16,372 thousand), to the non-current portion of the financial liability related to the put agreements included in the acquisition contract of the subsidiary Diateam (Euro 4,074 thousand), to non-current lease liabilities (Euro 2,571 thousand), as well as the non-current portion of financial derivative instruments (Euro 85 thousand).

The item “N. Non-current financial assets” corresponds to the item in the consolidated financial statements as of December 31, 2023 related to non-current financial assets (Euro 153 thousand), excluding financial derivative instruments classified in this item (Euro 85 thousand), reclassified to reduce the previously commented item.
The item “O. Adjustments for extraordinary events and/or non-recurring transactions” includes the financial liability recorded in relation to the business combination of Diateam in order to reflect the present value of the liability arising from the aforementioned put liability.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31	
(in Euro)	**2023**	**2022**
A) Cash flows from operating activities	20,461,489	8,384,898
B) Cash flows from investing activities	(26,281,462)	(84,516,244)
C) Cash flows from financing activities	3,495,658	93,718,993
Total change in cash and cash equivalents	**(2,324,315)**	**17,587,647**
Cash and cash equivalents at the beginning of the year	19,885,505	2,297,858
Cash and cash equivalents at the end of the year	**17,561,190**	**19,885,505**

The operating activities in the 2023 year generated cash flows of Euro 20,461 thousand (Euro 8,385 thousand for the year ended December 31, 2022), an increase of Euro 12,076 thousand compared to the previous year, mainly due to the higher cash flows generated in relation to changes in net working capital.
The cash flows from investing activities totalled Euro 26,281 million, mainly in relation to investments in intangible assets amounting, for the year ended December 31, 2023 to Euro 18,233 thousand, and to the acquisition of the company Diateam S.a.S. The higher cash demand for the 2022 year, amounting to Euro 84,516 thousand, is attributable to the acquisition of the RCS Group, which absorbed liquidity for an amount of Euro 70,971 thousand.
During 2023, the cash flows from financing activities generated cash flows of Euro 3,496 thousand, mainly in relation to the net uses of credit lines, partially offset by the purchase of treasury stocks made during the year and repayments of liabilities for leased assets. The higher cash generated in the year 2022, amounting to Euro 93,719 thousand, is mainly due to the capital increase completed during the year, aimed at meeting the liquidity needs related to the investment activity described above.
The demand generated by the investment activity was almost entirely met by the contribution of the cash flow generated by the operating and financing activities, respectively positive for Euro 20,461 thousand and Euro 3,496 thousand, as mentioned above. The greater cash requirement resulting from the investment activity led to a negative change in the balance of cash and cash equivalents amounting to Euro 2,324 thousand for the year ended December 31, 2023, for a total balance at the end of the year amounting to Euro 17,561 thousand.

HUMAN RESOURCES

With reference to the human resources employed during the year, the Group carries out its activities fully respecting the provisions on environment and workplace safety, as well as in compliance with applicable foreign local regulations. Below is the composition of the workforce of the CY4Gate Group as of December 31, 2023 with evidence of the movement of the year, and the average number of employees of the year 2023 compared to the previous year.

	Managers	Executives	Employees	Apprentices	Total
12.31.2022	22	52	333	35	**442**
Diateam Acquisition	2	17	4	5	**28**
inflows (+)	1	15	78	24	**118**
transformations	1	1	3	-5	**0**
outflows (-)	-3	-12	-58	-11	**-84**
12.31.2023	**23**	**73**	**360**	**48**	**504**

	For the year ended December 31	
Average number of employees	**2023**	**2022**
Executive Managers	23	19
Middle Managers	74	44
Employees	398	337
Totale	**495**	**400**

Please note that CY4Gate S.p.A. has set up an Incentive Plan (Stock Grant Plan) for the group's managers, consisting of the allocation of the Company's shares, free of charge, upon achieving certain economic and financial objectives. For more information, please refer to the paragraph "Raw materials, services and personnel expenses" in the consolidated financial statements.

SUBSEQUENT EVENTS

On January 16, 2024, Cy4Gate, following the signing of the previous Preliminary Agreement on November 14, 2023 and the occurrence of certain conditions precedent, in partnership with Alfa Group, signed the contract for the total purchase of 97.8% of XTN Cognitive security according to the following proportions:

- Cy4Gate has purchased a stake equivalent to 77.8% of the share capital;
- Alfa Group has purchased a stake equivalent to 20% of the share capital;
- The remaining 2.2% stake is held by Management.

As of today, 80% of the total consideration has been paid, amounting to Euro 12.7 million, 69.7% by CY4Gate and 10.3% by Alfa Group. The remaining 20% will be paid by June 30, 2027. With reference to the amount of 20%, it is understood that it can be reduced by up to a maximum of 20 percentage points based on the results of IKS TN as of December 31, 2026.

On February 27, 2024, the program for the repurchase of treasury stocks initiated on August 8, 2023 was concluded and implemented in accordance with the authorization of the Shareholders' Meeting of April 27, 2023. As part of the aforementioned program, CY4Gate S.p.A. carried out transactions on the Euronext Milan Market - STAR Segment in the period between August 8, 2023 and February 27, 2024 inclusive, for a total of no. 450,000 ordinary shares of CY4Gate S.p.A equal to the maximum number of shares that can be purchased and to 1.91% of the share capital, for a total value of about Euro 3,214,883.06.

EXPECTED OUTLOOK

The Group will continue its growth path aiming for strong consolidation, efficiency and creation of synergies with the acquired companies, always favoring the maintenance of technological excellence and enhancing the broad product portfolio that today can count on leading solutions in cyber capable of supporting the most challenging customer needs.

The strategy for the next three years will aim to:

- ensure from the first year a greater and more incisive presence in the market **Corporate** Italy on cyber security, with a progressive expansion in Europe in the following two years; a greater presence in the Corporate market will represent an important tool for mitigating the seasonality of the Group's business, supporting the generation of a flow of recurring revenues during the year;
- intercept the growing needs of the **Defence** market, characterized by significant investments globally, and multi-year contracts with important size, accelerating the creation of backlog and therefore, contributing - together with the Corporate market - in reducing the risks of seasonality;
- further consolidate the leadership position in Italy on the **Security & Law Enforcement** market (with initiatives aimed at mitigating the potential effects resulting from the reforms started in the industry by the Ministry of Justice) and strengthen, making it structural, growth in EU countries.

In particular, the following three markets are identified as priorities for the implementation of the strategy, in each of which the Group is currently present, on each of which the following actions will be pursued over the next three years:

DEFENCE

- strengthening of industrial partnerships with the major players in the Italian and European Aerospace & Defence segment;
- opening of new markets abroad, exploiting the potential offered by the training activities of the Cyber Academy and the Cyber Labs as “entry point capabilities” to then initiate upselling initiatives;
- increase in market share on the domestic and international market both through direct sales to the end customer and with the support of ELT Group, founder and reference shareholder of CY4Gate, which can count on a consolidated presence over seventy years in the Defence market;
- direct participation and/or in partnership in EU (EDA, ESA) or NATO tenders that finance research and development in cyber;
- adherence to international consortia or JV for multi-year defense programs abroad, where local presence is required as an enabling requirement to fulfill offset.

SECURITY & LAW ENFORCEMENT

- consolidation on the Italian market, with a focus on the most relevant (from a business perspective) Public Prosecutors;
- implementation of targeted technological partnerships with “boutique” companies with the aim of sharing investments to reduce the need for resources (human and financial) necessary to cope with the rapid obsolescence of the typical technologies of the industry;
- increase in market share both in Italy and abroad on the new concept tactical devices produced by the Group;
- progressive improvement of presence in the European area, which offers guarantees of greater predictability and business stability, starting from the Spanish market on which the Group can already count on a multi-year presence.

CORPORATE ITALY and EU MARKET

- in line with new market trends and strong with a significant basket of cyber products, we will proceed to the implementation of a distinctive "customer value proposition" focused more on "capabilities" than on "products". The products and technologies will constitute, in this new model, the enabling factors to ensure those 360-degree capabilities that the customer needs for the satisfaction of cyber protection needs;
- integration of sales force efforts with new and effective channel partnerships (Attiva is a recent example);
- expansion of the domestic market with a focus on large and medium-sized companies, thanks to a renewed sales team, expert in the industry and geographically located in the areas of greatest interest for the business;
- leveraging the customer network derived from the acquisition of XTN, we will act in pursuing up-selling and cross-selling opportunities on new market segments (banking, automotive, luxury, etc.);
- progressive expansion of sales over the three-year period on new geographical areas in the EU, establishing collaborations with channels operating abroad and promoting the development of an international sales team;
- continuation in the scouting of potential targets to support organic growth with ad hoc M&A initiatives in the second part of the three-year period.

MAIN RISKS AND UNCERTAINTIES

RISK MANAGEMENT

The Group's activities are exposed to the following risks:

- market risk, defined as currency risk, for transactions in currencies other than the presentation currency; interest rate risk, related to financial exposure, and price risk;
- credit risk, arising from normal business operations or financing activities;
- liquidity risk, related to the availability of financial resources and access to the credit market;
- capital risk;
- authorization risk;
- reputational risk;
- human resources risk;
- technological risk.

The Group's risk management strategy is aimed at minimizing potential negative effects on the Group's financial performance.

INTEREST RATE RISK

The Group, in choosing financing and investment transactions, has adopted criteria of prudence and limited risk and has not carried out speculative operations. It should be noted that the Group has sought to hedge itself from financial risk, and in particular from the risk of rising interest rates, by entering into "Interest Rate Swap" contracts, financial instruments to hedge the risk of fluctuation of the interest rate applied to variable rate financing contracts. The aforementioned "Interest Rate Swaps" should be considered as hedging transactions and their impact on the result of the period is given exclusively by the accounting of the active and passive differentials on the interest rates accrued as of December 31, 2023. Below are the main data of these contracts:

Bank	Agreement date	Expiry date	Reference principal	Outstanding principal	MTM
INTESA	06/25/2021	06/25/2025	2,813,751	1,130,021	33,080
ICCREA	05/24/2022	03/29/2028	5,000,000	4,400,000	110,387
CREDIT AGRICOLE	05/24/2022	03/29/2028	7,500,000	6,600,000	170,828

CURRENCY RISK

The Group believes it is not significantly exposed to fluctuations in exchange rates; therefore, it does not carry out transactions in derivative financial instruments to hedge against currency risk. In particular, although the Group operates abroad, its exposure to foreign countries is limited and there are no financial liabilities in currencies other than the Euro.

PRICE RISK

The Group believes it is not significantly exposed to the movements of raw material and commodity prices used in the production process and the resulting influence of these on operating margins.

CREDIT RISK

The credit risk essentially derives from receivables from customers. To mitigate the credit risk related to commercial counterparts, the Group has implemented procedures aimed at limiting the concentration of exposures to single counterparts or groups, through a creditworthiness analysis. The constant monitoring of the state of credits allows the Group to promptly verify any defaults or worsening of the creditworthiness of the counterparts and to adopt the relative mitigating actions. It is also specified that the credit risk is further limited considering the characteristics of the customers, largely public entities.

LIQUIDITY RISK

The liquidity risk is associated with the Group's ability to meet commitments primarily arising from financial liabilities. Prudent management of liquidity risk originated from the Group's normal operations implies maintaining an adequate level of cash availability and the availability of funds obtainable through an adequate amount of credit lines. Cash flows, financing needs and liquidity are constantly monitored and managed with the aim of ensuring effective and efficient management of financial resources.

CAPITAL RISK

The Group's objective in the scope of capital risk management is mainly to preserve the going concern in order to ensure returns to shareholders and benefits to all stakeholders. The Group also aims to maintain an optimal capital structure in order to reduce the cost of indebtedness.

AUTHORIZATION RISK

The Group operates in an industry characterized by multiple specific regulatory and regulatory disciplines. In particular, the Group's activity is conditioned by these regulations to the extent that they can influence the obtaining of the necessary authorizations for the sale of new products and services in particularly regulated markets. The procedures that must be followed to obtain such authorizations can be long, costly and with no guaranteed outcome. This risk is particularly significant if linked to the seasonality of the Group's business, characterized by a marked concentration in the last quarter of the year.

REPUTATIONAL RISK

The Group maintains, also through major market operators, commercial relations with foreign governments, also outside the European Union. In this regard, it should be noted that some of the non-EU countries in which the Group conducts its business have characteristics of political instability which results in a change of governments more frequent than the natural expiry of the electoral mandate. The occurrence of such changes at the governmental level involves the risk that the newly appointed government officials prefer to purchase the Group's services from third parties, thus negatively affecting the Group's business initiatives. In connection with the authorization risk mentioned above, in light of the foregoing, the occurrence of geopolitical contingencies, could lead to a change in the orientation of the government units that could slow down or deny sales authorizations.

HUMAN RESOURCES RISK

The Group operates in an industry characterized by the need of companies to employ highly specialized personnel with high technical and professional skills and, therefore, the Group's success depends also on its ability to attract, train and retain staff with the level of specialization and technical and professional skills required.

TECHNOLOGICAL RISK

Delays in product development or in adapting to technological evolution could negatively affect the Group's business relationships and limit market expansion, with a consequent effect of reducing the resources needed to develop new products and services, meet customer demands and maintain the Group's positioning in terms of innovation within the reference market.

TRANSACTIONS WITH RELATED PARTIES

It is recalled that CY4Gate S.p.A. adopted in the 2023 year a specific "Procedure for Transactions with Related Parties" (hereinafter the "Procedure"), in implementation of the provisions pursuant to art. 2391-bis of the Civil Code and the Regulation containing provisions on transactions with related parties adopted by Consob with Resolution no. 17221 of March 12, 2010 and subsequent amendments and additions (the "OPC Regulation"). It is specified that the Group applies the Procedure also taking into account the Consob Communication no. DEM/10078683, published on September 24, 2010, containing "Indications and guidelines for the application of the Regulation on transactions with related parties adopted with resolution no. 17221 of March 12, 2010 as subsequently amended" (the "Application Communication"). The Procedure came into force from the start date of trading of the ordinary shares of CY4Gate S.p.A. on Euronext Milan, STAR segment.
The Procedure, as currently in force, is published on the Group's website: www.cy4gate.com under the "Governance" section, "Corporate Documents" area).

Pursuant to art. 5, paragraph 8, of the Regulation, it is noted that in 2023 no major transactions (as defined by art. 4, paragraph 1, lett. a) and identified by the mentioned Procedure pursuant to Annex 3 to the Regulation), nor other transactions with related parties have significantly influenced the consolidated financial situation in the reference period. For details on relationships with related parties during the year, please refer to what is reported in the Explanatory Notes to the Financial Statements and to the consolidated financial statements, in the paragraph “Transactions with Related Parties”.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

The Corporate Governance model adopted by CY4Gate S.p.A. is in line with the principles contained in the "Code of Self-Discipline of Listed Companies", approved by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, ANIA, Assogestioni, Assonime and Confindustria.
The Report on Corporate Governance and Ownership Structures for the year 2023, approved by the Board of Directors on March 14, 2023, is available on the Company's website www.cy4gate.com.

OTHER INFORMATION

Purchases or sales of parents' shares during the year

The Group's companies have not made acquisitions or disposals of shares or quotas of parents, either directly, or through trustees or nominees.

Research and development activities

The Group has carried out research and development activities during the year, aimed at the creation and development of innovative products and cutting-edge technological solutions.

Treasury Stock

It should be noted that as of December 31, 2023, there are 204,976 treasury stocks in the portfolio, without a stated nominal value.
It should also be noted that as of December 31, 2023, CY4Gate S.p.A. and the Group do not own shares of parent companies and none of the subsidiaries own shares of the parent company.

Management and coordination

As of the date of preparation of the financial statements, the company CY4Gate S.p.A. is not subject to management and coordination by any of its shareholders, pursuant to articles 2497 and following of the Civil Code, having verified that the presumption of article 2497-sexies of the Civil Code does not apply.

Significant non-recurring, atypical and/or unusual events and operations

During the year 2023, no significant non-recurring atypical or unusual operations were carried out either with third parties or with related parties. Furthermore, during the year under review, no further significant non-recurring events occurred.

Assets designated for a specific transaction

There are no assets designated for a specific transaction.

Priorities for financial reporting supervision for 2023 contained in the ESMA European Common enforcement priorities document

On October 25, 2023, ESMA published the priorities for financial reporting supervision for 2023. These priorities include:

- *Climate Related Matters*: in this regard, it is specified that given the type of business of the Group, no significant impacts on the estimation and evaluation processes used by the Directors for the preparation of the annual and consolidated financial statements are detected and the Group's exposure - in terms of potential influence on strategies and financial cash flows - to the consequences of climate change is considered limited.
- *Refinancing and other financial risks*: in this regard, reference is made to what is reported in the "Risk management" paragraph;
- *Fair-value measurement and disclosure*: in this regard, reference is made to what is reported in the paragraph "Measurement of Fair Value" of the Explanatory Notes to the separate and consolidated financial statements.

Remuneration Report

For information regarding the remuneration of directors, statutory auditors and executives with strategic responsibilities, reference is made to the report on the remuneration policy and on the remuneration paid, drawn up in accordance with articles 123-ter of the TUF (Consolidated Law on Finance) and 84-quater of the Issuers’ Regulation as well as in compliance with what is recommended by art. 5 of the Corporate Governance Code, made available to the public on the Company's website (www.cy4gate.com) with the other methods provided for by current legislation.

CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

Consolidated financial statements as of and for the year ended December 31, 2023

CY4Gate S.p.A.
Headquarters in VIA COPONIA, 8
00131 ROME
Company registration no. 13129151000 – Rea no. 1426295

Consolidated Statement of profit and loss

(in Euro)	Note	For the year ended December 31 2023	*of which related parties:*	2022	*of which related parties:*
Revenues	7	66,489,053	*3,837,560*	54,062,437	*3,368,827*
Other revenues and income	8	1,775,265	-	2,582,873	-
Purchases, services and personnel expenses	9	(58,157,682)	*(555,751)*	(42,939,963)	*(661,844)*
Depreciation and amortization	10/16/17	(16,425,885)	-	(12,102,182)	
Net impairment losses on financial assets	20	(284,955)	-	(724,194)	-
Accrual to provision for risks and charges	29	(78,660)	-	(122,111)	
Other operating costs	11	(790,782)	-	(548,543)	-
Operating profit/(loss)		**(7,473,646)**	***3,281,809***	**208,317**	**2,706,983**
Financial income	12	490,305	-	23,025	-
Financial expense	12	(2,509,778)	-	(913,620)	-
Profit/(loss) before tax		**(9,493,119)**	***3,281,809***	**(682,278)**	**2,706,983**
Income taxes	13	594,951	-	3,156,115	-
Profit/(loss) for the year		**(8,898,168)**	***3,281,809***	**2,473,837**	**2,706,983**
of which:					
Profit attributable to non-controlling interests		*1,806,514*		*264,375*	
Profit/(loss) attributable to the Group		*(10,704,682)*		*2,209,462*	
Basic and diluted earnings/(loss) per share		(0.38)		0.11	

Consolidated Statement of Comprehensive Income

(in Euro)	Note	For the year ended December 31 2023	2022
Profit/(loss) for the year		**(8,898,168)**	**2,473,837**
Net actuarial losses on defined benefit plans	28	(76,476)	(515,585)
Items that will not be subsequently reclassified to profit or loss		**(76,476)**	**(515,585)**
Net fair value gain/(losses) on cash flow hedges		(317,689)	558,039
Items that may be subsequently reclassified to profit or loss		**(317,689)**	**558,039**
Other comprehensive income/(loss), net of tax effect		**(394,165)**	**42,454**
Comprehensive income/(loss)		**(9,292,333)**	**2,516,291**
of which:			
Comprehensive income attributable to non-controlling interests		*1,806,514*	*249,061*
Comprehensive income/(loss) attributable to the Group		*(11,098,847)*	*2,267,230*

Consolidated Statement of Financial Position

(in Euro)	Note	As of December 31 2023	*of which to related parties:*	2022	*of which to related parties:*
Intangible assets and goodwill	15-16	76,429,227	-	61,632,292	-
Goodwill		42,080,435	-	35,798,630	-
Intangible assets		34,348,792	-	25,833,662	-
Property, plant and equipment	17	7,295,123	-	4,732,835	-
Right-of-use assets	18	3,646,191	*958,502*	3,192,760	-
Non-current financial assets	24	153,210	*19,000*	475,024	*6,000*
Equity-accounted investments		566,451	-	566,451	-
Deferred tax assets	30	3,518,420	-	2,833,917	-
Other non-current assets	22	1,461,872	-	1,806,275	-
Total non-current assets		**93,070,494**	**977,502**	**75,239,554**	**6,000**
Inventories	19	759,066	-	777,399	-
Contract assets	25	3,609,079	*1,748,572*	3,625,192	*1,295,339*
Trade receivables	20	53,651,186	*5,727,691*	64,488,220	*5,524,590*
Current tax assets	21	394,446	-	403,920	-
Other current assets	22	8,586,008	-	6,497,201	-
Current financial assets	24	1,216,299	-	1,332,312	-
Cash and cash equivalents	23	17,561,190	-	19,885,505	-
Total current assets		**85,777,274**	***7,476,263***	**97,009,749**	**6,819,929**
Total assets		**178,847,768**	***8,453,765***	**172,249,303**	**6,825,929**
Share capital	26	1,441,500	-	1,441,500	-
Share premium reserve	26	108,539,944	-	108,539,944	-
Reserves	26	9,272,847	-	8,926,237	-
Profit/(loss) for the year	26	(10,704,682)	-	2,209,462	-
Total equity		**108,549,609**	**-**	**121,117,143**	**-**
Equity attributable to non-controlling interests		2,575,691	-	1,422,648	-
Total equity		**111,125,300**	**-**	**122,539,791**	**-**
Employee benefits - non-current	28	3,581,384	-	2,894,479	-
Other non-current liabilities	32	447,636	-	242,665	-
Non-current financial liabilities	27	20,446,325	-	11,744,570	-
Non-current lease liabilities	27	2,571,452	*729,795*	2,059,798	*964,971*
Deferred tax liabilities	30	2,284,071	-	2,937,336	-
Total non-current liabilities		**29,330,868**	***729,795***	**19,878,848**	**964,971**
Provisions for risk and charges	29	78,660	-	122,111	-
Trade payables	31	14,377,973	*485,727*	10,571,285	*694,810*
Current financial liabilities	27	8,352,067	-	3,635,117	-
Current lease liabilities	27	1,207,015	*244,994*	1,191,346	*233,171*
Contract liabilities	25	499,174	*182,823*	4,582,279	*165,279*
Current tax liabilities	21	1,030,777	-	206,381	-
Other current liabilities	32	12,845,934	-	9,522,145	-
Total current liabilities		**38,391,600**	***913,544***	**29,830,664**	**1,093,260**
Total liabilities		**67,722,468**	***1,643,339***	**49,709,512**	**2,058,231**
Total equity and liabilities		**178,847,768**	***1,643,339***	**172,249,303**	**2,058,231**

Consolidated Statement of Cash Flows

(in Euro)	Note	For the year ended December 31 2023	2022
Loss before tax		**(9,493,119)**	**(682,278)**
Adjustments for:			
Amortization and depreciation	10/16/17	16,425,885	12,102,182
Impairment losses	20	284,955	724,192
Expenses for employee share-based incentives	28	211,295	-
Accruals to provisions for risks and charges	29	78,660	122,111
Net interest expense	12	2,019,473	890,595
Other non-cash items		802,683	983,074
Cash flows from operating activities before changes in net working capital		**10,329,832**	**14,139,876**
Change in inventories	19	52,582	(459,798)
Change in trade receivables	20	11,460,115	(11,738,630)
Change in trade payables	31	3,715,976	7,063,794
Change in other assets/liabilities		(2,930,414)	1,589,740
Payment of employee benefits	28	(313,632)	(869,016)
Interest paid		(1,227,839)	(635,914)
Income tax paid		(625,131)	(705,154)
Net cash flows from operating activities		**20,461,489**	**8,384,898**
Net investment in intangible assets	16	(18,232,644)	(11,243,892)
Net investment in property, plant and equipment	17	(3,822,713)	(2,301,208)
Acquisition of subsidiaries net of cash and cash equivalents	5	(4,226,105)	(70,971,144)
Net cash flows from investing activities		**(26,281,462)**	**(84,516,244)**
Capital increase		-	88,612,500
Acquisition of treasury shares		(1,600,410)	-
Dividends distributed		(653,471)	-
Net utilisations of credit facilities	27	7,202,410	6,024,745
Changes in financial assets	24	210,120	-
Changes in other financial liabilities	27	-	(1,168,252)
Repayment of lease liabilities	27	(1,662,991)	-
Other movements		-	250,000
Net cash flows from financing activities		**3,495,658**	**93,718,993**
Total change in cash and cash equivalents		**(2,324,315)**	**17,587,647**
Cash and cash equivalents at the beginning of the year	23	19,885,505	2,297,858
Cash and cash equivalents at the end of the year		**17,561,190**	**19,885,505**

Consolidated Statement of Changes in Equity

(in Euro)	**Share capital**	**Share premium**	**Other reserves**	**Profit/(loss) for the year**	**Total equity attributable to the Group**	**Total equity attributable to non-controlling interests**	**Total equity**
As of January 1, 2022	**481,500**	**19,499,944**	**5,087,568**	**5,185,828**	**30,254,840**	**-**	**30,254,840**
Profit for the year	-	-	-	2,209,462	**2,209,462**	264,375	**2,473,837**
Actuarial losses on defined benefit plans	-	-	(515,585)	-	**(515,585)**	-	**(515,585)**
Fair value gains on cash flow hedges	-	-	558,039	-	**558,039**		**558,039**
Comprehensive income / (loss)	**-**	**-**	**42,454**	**2,209,462**	**2,251,916**	**264,375**	**2,516,291**
Allocation of previous year result	-	-	5,185,828	(5,185,828)	**-**	-	**-**
Capital increase transaction costs	-	-	(1,387,500)	-	**(1,387,500)**	-	**(1,387,500)**
Capital increase	960,000	89,040,000	(2,113)	-	**89,997,887**	-	**89,997,887**
Non-controlling interests	-	-	-	-	**-**	1,158,273	**1,158,273**
As of December 31, 2022	**1,441,500**	**108,539,944**	**8,926,237**	**2,209,462**	**121,117,143**	**1,422,648**	**122,539,791**
Loss for the year	-	-	-	(10,704,682)	**(10,704,682)**	1,806,514	**(8,898,168)**
Actuarial losses on defined benefit plans	-	-	(76,476)	-	**(76,476)**	-	**(76,476)**
Fair value losses on cash flow hedges	-	-	(317,689)	-	**(317,689)**	-	**(317,689)**
Comprehensive income / (loss)	**-**	**-**	**(394,165)**	**(10,704,682)**	**(11,098,847)**	**1,806,514**	**(9,292,333)**
Allocation of previous year result	-	-	2,209,462	(2,209,462)	**-**	-	**-**
Acquisition of treasury shares	-	-	(1,600,410)	-	**(1,600,410)**	-	**(1,600,410)**
Other changes	-	-	(79,572)	-	**(79,572)**	-	**(79,572)**
Distribution of dividends to non-controlling interests	-	-	-	-	**-**	(653,471)	**(653,471)**
Share-based payments	-	-	211,295	-	**211,295**	-	**211,295**
As of December 31, 2023	**1,441,500**	**108,539,944**	**9,272,847**	**(10,704,682)**	**108,549,609**	**2,575,691**	**111,125,300**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

1. General Information

CY4Gate S.p.A. (hereinafter "**CY4Gate**" or the "**Company**" and, together with its subsidiaries, the "**Group**") is a company established and domiciled in Italy, with its registered office in Rome (RM), at 8, Coponia Street and organised according to the legal system of the Italian Republic. The Group is primarily engaged in the design, development and production of technologies, products, systems and services for the Armed Forces, Law Enforcement Agencies and Italian and foreign companies. From June 26, 2023, the shares of CY4Gate S.p.A. are traded in the Euronext STAR Milan market segment of the Italian Stock Exchange (from 2020 and until the above date shares were traded in the Euronext Growth Milan market segment).

The Company is controlled by Elettronica S.p.A., with a registered office in Rome, which prepares the consolidated financial statements of the largest group of companies to which the Company belongs. In compliance with point 22-quinquies of art. 2475 of the Civil Code, it is communicated that a copy of the consolidated financial statements is kept at the registered office of the parent company in Via Tiburtina Km 13,700.

As of the date of preparation of the financial statements, the Company is not subject to the direction and coordination of any of its shareholders, as the Board of Directors of the Company assumes in full and complete autonomy and independence the most appropriate decisions regarding the management of the Company's activities.

Authorization for publication

These consolidated financial statements were approved and authorized for publication by the Board of Directors of CY4Gate S.p.A. on March 14, 2024, and are subject to audit by KPMG S.p.A.

The publication of these consolidated financial statements is carried out in accordance with the Delegated Regulation of the European Commission 2019/815 and subsequent amendments.

2. Summary of Accounting Standards

This section provides a description of the most relevant accounting standards adopted for the preparation of these consolidated financial statements as of and for the year ended December 31, 2023 (hereinafter the "**Consolidated Financial Statements**"). These principles have been applied consistently for all periods presented.

2.1. Basis of Preparation

These Consolidated Financial Statements, prepared in compliance with the provisions of art. 154-ter of Legislative Decree no. 58/98 - T.U.F. - and subsequent amendments and additions, has been prepared in accordance with the "EU IFRS", meaning by this all the "*International Financial Reporting Standards*" (IFRS), all the "*International Accounting Standards*" (IAS), all interpretations of the "*International Financial Reporting Interpretations Committee*" (IFRIC), formerly the "*Standing Interpretations Committee*" (SIC) that, as of the reporting date of the Consolidated Financial Statements, have been endorsed by the European Union in accordance with the procedure provided for by Regulation (EC) No. 1606/2002 of the European Parliament and of the European Council of July 19, 2002. The IFRS have been applied consistently to all periods presented in this document. Furthermore, reference was made to the provisions issued by Consob (Italian National Commission for listed companies) in implementation of paragraph 3 of art. 9 of Legislative Decree 38/2005.

The Consolidated Financial Statements have been prepared on a going concern basis, as the Directors have verified the absence of financial, managerial or other indicators that could signal difficulties regarding the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months, in relation to the date of these Consolidated Financial Statements. The description of the ways in which the Group manages financial risks is illustrated in the subsequent Note 3 related to “Risk management”.

The Consolidated Financial Statement“ have been prepared and presented in Euro, which represents the currency of the predominant economic environment in which the Group operates. All amounts included in this document, unless otherwise indicated, are expressed in Euro.

The following are the financial statements formats and the relative classification criteria adopted by the Group, within the options provided by IAS 1 *Presentation of financial statements*:

- The Consolidated Statement of Financial Position has been prepared by classifying assets and liabilities according to the "current/non-current" criterion;
- The Consolidated Statement of profit and loss has been prepared by classifying operating costs by nature;
- The Consolidated Statement of comprehensive income, in addition to the result profit or loss for the period resulting from the Statement of profit and loss, includes income and expense that are not recognized in profit or loss as required by IFRS;
- The Consolidated Statement of changes in equity, prepared in accordance with IAS 1;
- The Consolidated Statement of cash flows has been prepared by presenting cash flows resulting from operating activities according to the "indirect method".

The Consolidated Financial Statements were prepared based on the conventional criterion of the historical cost, except for the measurement of financial assets and liabilities, in cases where the application of the criterion of the *fair value* criterion is mandatory.

It should be noted that the Directors deemed it appropriate to reclassify the balances of certain items for the comparative year, in order to better represent and understand the financial statements amounts. Particular reference is made to the Statement of Financial Position items of "Current tax assets" and "Other current assets", and "Current tax liabilities" and "Other current liabilities".

2.2. Scope of consolidation

The list of companies included in the scope of consolidation as of December 31, 2023 is indicated in the following table:

Company name	Registered Office	Share capital (in Euro)	% considered as of December 31, 2023
Subsidiaries			
RCS ETM Sicurezza S.p.A.	Milan - Via Caldera 21	7,000,000	100%
Servizi Tattici Informativi Legali S.r.l.	Cuneo - Via XX Settembre 2	33,333	70%
Dars Telecom SL	Madrid - PASEO PINTOR ROSALES 44 - Spain	4,808	65%
Tykelab S.r.l.	Rome - Via Benedetto Croce 10	10,000	90%
Diateam S.a.S.	Brest - 31 Rue Yves Collet - France	300,000	100%*
Associates			
SAS Foretec	Andrézieux - Bouthéon - France	500,000	25%

**It is specified that the acquisition contract of the company Diateam S.a.S., acquired during the 2023 year, provides for the immediate acquisition of 55.33% and a put and call mechanism such as to consider the transfer of risks and benefits from non-controlling interests effective.*

It is reported that during 2023 the company Azienda Informatica Italiana S.r.l. was merged into the company RCS ETM Sicurezza S.p.A.

It is specified that the Company excluded the following subsidiaries from the consolidation scope, as they are immaterial to the Consolidated Financial Statements due to their limited operations.

Company name	Registered office	Share capital (in Euro)	% considered as of December 31, 2023
Subsidiaries			
Aurora France SAS	Paris - 9 Rue Parrot - France	10,000	100%
RCS LAB GMBH	Lebach - Germany	25,000	70%

The financial positions of the subsidiaries are included in the consolidated financial statements from the date on which the Parent company begins to exercise control and until the date on which such control ceases.

The financial positions of the consolidated companies, prepared for consolidation purposes by the respective competent bodies, have been appropriately harmonized and reclassified in order to make them uniform with the accounting standards and measurement criteria of the Group, as described below.

The subsidiaries are consolidated on a line-by-line basis from the date on which control was effectively acquired and cease to be consolidated on the date on which control is transferred to third parties.

2.3. Consolidation Criteria and Methodologies

The consolidated financial statements as of December 31, 2023 were prepared by consolidating on a line-by-line basis the financial positions as of December 31, 2023 of the Parent company and of the Italian and foreign companies of which CY4Gate holds control, both directly and indirectly.

Subsidiaries are those companies over which the Group exercises control. The Group controls a company when it is exposed, or has rights, to the variability of the subsidiary's results based on its involvement with the subsidiary itself and has the ability to influence those results through the exercise of its power.

Control can be exercised either by direct or indirect ownership of the majority of voting shares or by contractual or legal agreements, regardless of shareholding relationships. The existence of potential voting rights exercisable at the reporting date is considered for the purpose of determining control.

In general, control is presumed to exist when the Group holds, directly or indirectly, more than half of the voting rights.

The criteria adopted for full consolidation are as follows:

- the assets and liabilities, expenses and income of the fully consolidated entities are assumed line by line, in their total amount, regardless of the ownership share held, attributing to non-controlling interests, where applicable, their share of equity and profit or loss for the period due to them; these shares are shown separately in the Consolidated Statement of equity and Statement of profit and loss;

- business combinations are recorded, in accordance with the provisions contained in IFRS 3, using the acquisition method. According to this method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of the assets transferred and the liabilities assumed by the Group at the acquisition date and of the equity instruments issued in exchange for control of the acquired entity. Transaction costs are generally recognized in the Statement of profit and loss when they are incurred. Identifiable assets acquired and liabilities assumed are recorded at fair value at the acquisition date; exceptions are the following items, which are instead measured according to their reference principle: (i) deferred tax assets and liabilities, (ii) employee benefit assets and liabilities and (iii) assets held for sale. In the event that the fair values of assets, liabilities and potential liabilities can only be determined provisionally, the business combination is recorded using these provisional values. Any adjustments resulting from the completion of the measurement process are recognized within twelve months from the acquisition date;

- if a component of the price is linked to the realization of future events, such component is considered in the estimate of fair value at the time of the business combination;

- significant profits and losses, along with their tax effects, resulting from transactions carried out between fully consolidated companies and not yet realized with third parties, are eliminated, except for losses that are not eliminated if the transaction provides evidence of an impairment of the transferred asset. If significant, mutual debt and credit relationships, costs and revenue, as well as financial expense and income are eliminated;

- the purchase of additional equity shares in controlled companies and the sale of equity shares that do not imply the loss of control are considered transactions between shareholders; as such, the accounting effects of the said operations are recorded directly in the Group's equity.

2.4. Valuation Criteria

The following briefly describes the accounting standards and most significant measurement criteria used for the preparation of these Consolidated Financial Statements.

INTANGIBLE ASSETS

Intangible assets consist of identifiable non-monetary items without physical substance, controllable and capable of generating future economic benefits. These elements are initially recognized at purchase and / or production cost, including directly attributable expenses to prepare the asset for use. Any interest expense accrued during and for the development of intangible assets is considered part of the purchase cost. Specifically, the following main intangible assets can be identified:

(a) Goodwill

Goodwill is classified as an intangible asset with an indefinite useful life and is initially recorded at cost, as described above, and subsequently subjected to an assessment, at least annually, aimed at identifying any losses in value ("*impairment test*"). The reversal of impairment loss is not permitted, even if the reasons that led to the impairment cease to exist.

(b) Other intangible assets with a definite useful life

Intangible assets with a finite useful life are recognized at cost, as described above, net of accumulated amortization and any impairment losses.

Amortization begins when the asset is available for use and is systematically allocated in relation to its residual possibility of use, i.e. based on the estimated useful life.

The estimated useful life for the various categories of intangible assets is as follows:

Class of intangible asset	Useful life in years
Industrial patents and intellectual property rights	3-5
Concessions, licenses, trademarks and similar rights	3-5
Other intangible assets	3-9
Development costs	3

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at purchase or production cost, net of accumulated depreciation and any impairment losses. The purchase or production cost includes the costs directly incurred to prepare the assets for use, as well as any dismantling and removal costs that will be incurred as a result of contractual obligations that require the asset to be restored to its original condition. Financial expense directly attributable to the acquisition, construction or production of qualified assets are capitalized and amortized based on the useful life of the asset to which they refer.

The costs incurred for maintenance and repairs of an ordinary and / or cyclical nature are charged to the Statement of profit and loss when incurred. The capitalization of the costs related to the expansion, modernization or improvement of the structural elements owned or used by third parties is carried out to the extent that they meet the requirements to be separately classified as an asset or part of an asset. The assets recognized in relation to leasehold improvements are amortized based on the duration of the lease, or on the basis of the specific useful life of the asset, if lower.

Depreciation is calculated on a straight-line basis using rates that allow assets to be depreciated until the end of their useful life. When the asset being depreciated is composed of distinctly identifiable elements, whose useful life differs significantly from that of the other parts that make up the asset, the depreciation is carried out separately for each of these parts, in application of the "*component approach*".

The indicative useful life, estimated for the various categories of property, plant and equipment, is as follows:

Class of property, plant and equipment	Useful life in years
Plant and machinery	3-7
Industrial and commercial equipment	5-7
Other assets	5-9

The useful life of property, plant and equipment is reviewed and updated, where necessary, at least at the end of each year.

Leased assets

The Group has entered into lease agreements relating to property, vehicles and industrial equipment. Lease contracts are generally entered into for fixed periods of 6 months to 6 years with extension options, as described below. Contracts can contain both lease components and components other than leases.
The Group attributes the consideration in the contract to components other than lease on the basis of the *stand-alone selling price* (SSP) for each obligation. When an SSP does not exist, the Group estimates the SSP using an adjusted market approach.

Lease contracts are recognized as right-of-use assets and liabilities corresponding to the date on which the asset is available for use by the Group.
The assets and liabilities deriving from a lease are initially measured on the basis of their present value.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including fixed payments in substance), net of any lease incentives;
- variable payments based on an index or rate, initially measured using the index or rate as at the start date;
- the exercise price of a purchase option if the Group is reasonably certain to exercise such option;
- the payment of penalties for early termination; and
- payments due in an optional renewal period if the Group is reasonably certain to exercise the renewal option.

The lease payments are discounted using the lease's implicit interest rate. If this rate cannot be easily determined, which is generally the case with leases held by the Group, the lessee's incremental borrowing rate is used, being the rate that the Group should pay to borrow the funds needed to obtain assets of similar value to the right-of-use asset in a similar economic environment with similar terms, guarantees and conditions.

The right-of-use asset is depreciated on a straight-line basis over the lease term, unless the contract provides for the transfer of ownership at the end of the lease term or the lease cost reflects the fact that the lessee will exercise the purchase option. In this case, the depreciation shall be the shorter of the useful life of the asset and the lease term. The estimated useful lives of the assets consisting of the right of use are calculated according to the same criterion applied to the items of property, plant and equipment. In addition, the right-of-use asset is reduced by any impairment losses and adjusted to reflect the remeasurement of the lease liability.

In the Statement of Financial Position, the Group presents right-of-use assets within property, plant and equipment and lease liabilities within current and non-current financial liabilities.
In the Statement of profit and loss, interest expense on lease liabilities constitutes a component of financial expense and is presented separately from the depreciation of right-of-use assets.

The Group avails itself of the exemptions provided by the IFRS 16 - Leases principle with reference to lease contracts lasting less than 12 months and contracts related to so-called "*low value assets*", overall not significant.

The Group recognizes deferred tax on right-of-use assets and lease liabilities.
Finally, it should be noted that the Group does not have any lease contracts as a lessor.

FOREIGN CURRENCY TRANSLATION

Transactions in a currency other than the functional currency are recorded at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in a currency other than the euro are subsequently adjusted at the exchange rate in effect on the reporting date of the year. Non-monetary assets and liabilities denominated in a currency other than the euro are recorded at historical cost using the exchange rate in effect on the initial date of the transaction. Any exchange differences that may arise are reflected in profit and loss.

IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(a) Goodwill

Goodwill is not subjected to amortization but rather is subjected to an *impairment test* annually or more frequently, in the presence of indicators that may lead one to believe that it may have suffered a reduction in value.

The *impairment test* is carried out with reference to the cash generating unit ("**Cash Generating Unit**", "**CGU**") to which the goodwill was allocated. Any reduction in the value of goodwill is recognized if its recoverable amount is less than its carrying amount. Recoverable amount means the greater of the *fair value* of the CGU, net of disposal costs, and the related value in use, meaning the present value of the estimated future cash flows for this asset. In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market valuations of the cost of money, compared to the investment period and the specific risks of the asset. In the event that the reduction in value resulting from the *impairment test* is greater than the value of the goodwill allocated to the CGU, the residual surplus is allocated to the assets included in the CGU in proportion to their carrying amount. The minimum limit of this allocation is the higher of the following:

- the fair value of the asset net of selling costs;
- the value in use, as defined above; and
- zero.

The original value of goodwill cannot be reinstated if the reasons that led to the impairment cease to exist.

(b) Assets (intangible assets and property, plant and equipment) with a definite useful life

At each reporting date, a review is performed to ascertain whether there are any indicators that property, plant and equipment and/or intangible assets may have suffered an impairment. To this end, both internal and external sources of information are considered. With regard to the first (internal sources) the following are considered: the obsolescence or physical deterioration of the asset, any significant changes in the use of the asset and the economic performance of the asset compared to what was expected. With regard to external sources, the following are considered: the trend of market prices of assets, any technological, market or regulatory discontinuities, the trend in market interest rates or the cost of capital used to evaluate investments.

If the presence of these indicators is identified, the recoverable amount of the aforementioned assets is estimated, allocating any impairment loss with respect to the relative carrying amount to profit and loss. The recoverable amount of an asset is represented by the higher of the fair value, net of ancillary sales costs, and the related value in use, meaning the present value of the estimated future cash flows for this asset. In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market valuations of the cost of money, compared to the investment period and the specific risks of the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined in relation to the CGU to which this asset belongs.

An impairment loss is recognized in profit or loss if the carrying amount of the asset, or of the related CGU to which it is allocated, is higher than its recoverable amount. Impairment losses on CGUs are charged first against the carrying amount of any goodwill attributed to them and then, as a reduction of other assets, in proportion to their carrying amount and within the limits of the related recoverable amount. If the reasons that led to the impairment cease to exist, the carrying amount of the asset is reinstated with recognition in the Statement of profit and loss, within the limits of the net carrying amount that the asset would have had if the impairment loss had not occurred and the related amortization/depreciation had been charged.

EQUITY INVESTMENTS

In the presence of evidence of impairment, recoverability is verified by comparing the carrying amount and the higher between the value in use, determined by discounting the prospective cash flows, where possible, of the investment, and the hypothetical sale value, determined on the basis of recent transactions or market multiples. The share of losses exceeding the carrying amount is recognized as a specific liability to the extent that the Group believes there are legal or implicit obligations to cover the losses and in any case within the limits of the equity. If the subsequent performance of the investment subject to impairment presents an improvement such that the reasons for the impairments made are no longer present, the investments are revalued within the limits of the impairments recognized in the previous years. Dividend income is recognized in the Statement of profit and loss when the right to receive payment is established.

INVENTORIES

Inventories are recorded at the lower of purchase or production cost and net realizable value, represented by the amount the Group expects to obtain from its sale in the normal course of business, net of selling costs.

The cost of finished products and semi-finished products includes raw materials, direct labor costs and other production costs (determined on the basis of normal operating capacity). Financial expense are not included in the measurement of inventories, they are charged to the Statement of profit and loss when incurred, as the temporal conditions for capitalization do not exist.

Inventories of raw materials and semi-finished products that can no longer be used in the production cycle and inventories of unsaleable finished products are written down. The write-down is eliminated in subsequent years if the reasons for it cease to exist.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and available bank deposits and other forms of short-term investment, with maturity at origin of or less than three months. The items included in cash and cash equivalents are initially measured at *fair value* and then at amortized cost.

TRADE RECEIVABLES AND CURRENT FINANCIAL ASSETS

Trade receivables, other current assets, and current financial assets are generated through the ordinary course of the business and held for the purpose of collecting the contractual cash flows, that consist of "solely capital payments and interest" according to the criterion set out in IFRS 9. Consequently, they are initially recognized at fair value adjusted for the directly attributable transaction costs and subsequently measured at amortized cost based on the effective interest rate method (i.e. the rate that makes the present value of expected cash flows and the carrying amount equal, at the time of initial recognition), appropriately adjusted to take account of any impairment, by recognizing a loss allowance. Trade receivables, other current assets and financial assets are included in current assets, with the exception of those with a contractual maturity of more than twelve months after the reporting date, which are classified in non-current assets.

Assets with due dates over 12 months and without significant financial components are presented at their present value.

IMPAIRMENT OF ASSETS

At each reporting date, financial assets, with the exception of those measured at fair value through profit or loss, are analyzed to verify the existence of indicators of impairment. According to IFRS 9, a model for forecasting expected credit losses must be applied when assessing an impairment. In carrying out this assessment, the Group applies a standard simplified approach to estimate the expected credit losses over the entire life of the Company and takes into account its historically gained experience regarding credit losses, adjusted for specific prospective factors, the nature of the Company’s receivables and the economic context. If there is evidence of impairment, the loss is recognized in the Statement of profit and loss under the item "Net impairment losses on financial assets and contract assets".

Trade receivables and financial assets are written down when there is no rational expectation of them being recovered. The signs that indicate the absence of rational recovery expectations include, among others, the inability of a creditor to engage in a recovery plan with the Group, and the inability to make contractual payments for a significant period of time.

For financial assets accounted for at amortized cost, when an impairment loss has been identified, its value is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted at the original effective interest rate. This impairment loss is recognized in the Statement of profit and loss.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are derecognized when one of the following conditions is met:

- the contractual right to receive the cash flows from the asset has expired;
- the Group has substantially transferred all the risks and benefits associated with the asset, transferred its rights to receive cash flows from the assets or assumed a contractual obligation to transfer the cash flows received to one or more potential beneficiaries by virtue of a contract that meets the requirements of the standard ("*pass through test*");
- the Group has neither transferred nor substantially maintained all the risks and benefits associated with the financial asset but has ceded control of it.

Financial liabilities are derecognized when they are extinguished, that is, when the contractual obligation is fulfilled, canceled or prescribed. An exchange of debt instruments with substantially different contractual terms must be accounted for as an extinction of the original financial liability and the recognition of a new financial liability. Similarly, a substantial change in the contractual terms of an existing financial liability, even partial, must be accounted for as an extinction of the original financial liability and the recognition of a new financial liability.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The Group offsets financial assets and liabilities if and only if:

- there is a legally exercisable right to offset the amounts recognized in the financial statements;
- there is an intention either to offset on a net basis or to realize the asset and settle the liability simultaneously.

FINANCIAL LIABILITIES AND TRADE PAYABLES

Financial liabilities and trade payables are recognized when the Group becomes part of the related contractual clauses and are initially measured at fair value adjusted for directly attributable transaction costs. Financial liabilities and trade payables, with the exception of derivative financial instruments, are measured at amortized cost using the effective interest rate method.

Financial liabilities are derecognized when and only when they are extinguished (that is, when the obligation specified in the contract is remitted, canceled or expires).

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used as economic hedging only to reduce interest rate risk. All derivative financial instruments are measured at fair value.

If financial instruments are not accounted for, under IFRS 9, as hedging instruments, changes in fair value recognized subsequent to initial recognition are treated as components of the profit/(loss) for the year.

When derivative financial instruments qualify for accounting as hedging instruments, the following accounting treatments apply.

Cash flow hedging instruments

When a derivative financial instrument is designated as a hedging instrument for the exposure to the variability of future cash flows of an asset or liability recognized in the financial statements or a highly probable expected transaction and can impact profit or loss, the effective portion of any profit or loss on the derivative financial instrument is recognized directly in the Statement of comprehensive income through a specific capital reserve ("*Hedging reserve*"). The cumulative profit or loss is reclassified from the Statement of comprehensive income to the Statement of profit and loss when the economic effects deriving from the hedged item impact profit or loss. The profit or loss associated with a hedge or part of the hedge that has become ineffective is recognized in the profit and loss statement immediately within financial income or financial expense, respectively. When an instrument or a hedging relationship expires (for example, the derivative is sold, reaches its expiry or the hedging relationship no longer qualifies as effective), but the Group expects the hedged transaction to happen in the future, the cumulative gain or loss at the time of extinction remains in the Statement of comprehensive income and is recognized in profit or loss when the underlying transaction takes place. If the underlying transaction is no longer probable, the cumulative gain or loss present in the Statement of comprehensive income is immediately recognized in profit or loss.

The Group makes use of hedging derivatives to face the interest rate risk on financing contracts entered into by the parent company and its subsidiaries.

If hedge accounting cannot be applied, the fair value gains or losses on the derivative financial instruments are recognized immediately in financial income or financial expense, respectively.

EMPLOYEE BENEFITS

Short-term benefits are represented by wages and salaries, social security contributions, compensation for vacation and incentives paid in the form of bonuses payable in the twelve months from the reporting date. These benefits are accounted for as components of personnel expenses in the period in which the work is performed.

POST-EMPLOYMENT BENEFITS

In defined benefit plans, including the post-employment benefits due to employees pursuant to Article 2120 of the Italian Civil Code ("**TFR**"), the amount of the benefit to be paid to the employee can be quantified only after the termination of the employment relationship, and is linked to one or more factors such as age, years of service and remuneration; therefore the related expense is charged to profit or loss on the basis of an actuarial calculation. The liability recorded in the financial statements for defined benefit plans corresponds to the present value of the obligation at the reporting date. The present value of the defined benefit plan is determined by discounting the future cash flows at an interest rate equal to that of bonds (*high-quality corporate*) issued in Euro and which takes into account the duration of the related pension plan. Actuarial gains and losses deriving from the aforementioned adjustments and changes in actuarial assumptions are recognized in the comprehensive income.
Starting from January 1, 2007 the so called 2007 Budget Law and the related implementation decrees have introduced significant changes to the post-employment benefit regulations, including the choice of the employee regarding the allocation of the accruing TFR. In particular, the new TFR flows may be directed by the worker to selected pension forms or maintained in the company. In the case of allocation to external pension schemes, only a defined contribution to the

selected fund is paid, and from that date the newly accrued shares are defined contribution plans not subject to actuarial measurement.

SHARE-BASED PAYMENTS

In relation to share-based payments, the Group recognizes, if the conditions exist, the cost of the services acquired during the period in which it receives the service in exchange for an increase in equity or a liability, depending on the transaction settlement methods and, in particular, if the obligation is settled through shares (*equity-settled plan*) or with cash payment (*cash-settled plan*).

These plans are measured on the date the rights are assigned, through financial measurement techniques including market conditions in the measurement, and adjusting the number of rights that are expected to be assigned at each reporting date. The initial fair value of these rights is updated depending on whether the plan is classified as *cash-settled* or *equity-settled* respectively.

The Parent Company has provided for the Group's executives an Incentive Plan that consists of the free allocation of the Company's shares, upon reaching certain financial objectives. The Stock Grant Plan, as structured, falls within the scope of IFRS 2 in the "equity settled" transactions category.

The cost of the incentive plan is spread over the period to which the incentive refers (known as the vesting period) and is determined with reference to the fair value of the right assigned to the beneficiaries at the date of commitment, in order to reflect the market conditions existing at that date.

At each reporting date, the assumptions regarding the number of Stock Grants that are expected to mature are verified. The expense for the year is recognized in profit or loss, among the personnel expenses, and an equity reserve is recognized in counterpart.

PROVISIONS FOR RISKS AND CHARGES

Provisions are recorded for losses and charges of a specific nature, of certain or probable existence, for which, however, the amount and / or date of occurrence cannot be determined. They are only recognized when there is a current obligation, legal or implicit, for a future outflow of economic resources as a result of past events and it is probable that this outflow is required for the fulfillment of the obligation. This amount represents the best estimate of the costs to settle the obligation. The rate used in determining the present value of the liability reflects current market values and takes into account the specific risk associated with each liability.

When the time value of money is significant and the payment dates of the obligations can be reliably estimated, the provisions are measured at the present value of the expected cash outflows using a rate that reflects the market conditions, the change in the cost of money over time and the specific risk linked to the obligation. The increase in the amount of the provision, determined by changes in the cost of money over time, is accounted for as an interest expense.

The risks for which the emergence of a liability is only possible are indicated in the specific section regarding contingent liabilities, and no provision is made for these.

RECOGNITION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's revenues are mainly generated by the sale of technologies, products, systems and cyber security and cyber intelligence services.

Revenues for product sales are recognized at the time of transfer of control of the asset, namely risks and benefits, which normally coincides with the delivery or shipment of the goods, or at the time of transfer of the service to the customer, taking into account the value of any commercial discounts, allowances and expected returns. Revenues of a financial nature and that deriving from the provision of services are recognized on an accruals basis. Revenues and income, costs and expenses related to foreign currency transactions are determined at the current exchange rate on the date on which the related transaction is carried out.

Contracts that meet the requirements for revenue recognition “over time” are classified among "contract assets" or among "contract liabilities" depending on the relationship between the status of fulfillment of the performance by the Group and the payments received from the customer. In particular:

- "contract assets" represent the right to consideration for goods or services that have already been transferred to the customer;
- "contract liabilities" represent the Group's obligation to transfer goods or services to the customer for which a consideration has already been received (or the right to receive has already arisen).

Where in a contract there is more than one performance obligation, representing a contractual promise to transfer to the customer a distinct good or service (or a series of distinct goods or services that are substantially the same and are transferred in the same way), the classification between assets and liabilities is made at an overall level and not at the level of single performance obligation.

Contract assets and liabilities are recognized using the percentage of completion as the methodology for measuring progress; according to this methodology, costs, revenues and margin are recognized based on the progress of the activity, determined by referring to the ratio between costs incurred at the measurement date and total expected costs included in the respective order budgets. The Group systematically updates the assumptions that underlie the order budgets in order to reflect in the financial statements the most reasonable estimate of contractual considerations accrued and the economic result of the order.

Conversely, if the requirements for recognition over a period of time are not met, revenues are recognized at a specific point in time ("at a point in time"), that is, when the customer gains control of the promised goods or services.

Contract assets are presented net of any impairment losses. Periodic updates of estimates are made and any economic effects are accounted for in the period in which the updates are made.

The Group enters into contracts that are generally able to be distinguished and accounted for as separate performance obligations. The recognized revenues are limited to the amount of consideration that the Group expects to receive. The Group allocates the transaction price to performance obligations based on the *stand-alone selling prices* (SSP) for each obligation. When an SSP does not exist, the Group estimates it using a market-adjusted approach.

GRANTS

Government grants are recorded at fair value, when there is reasonable certainty that they will be received and all conditions relating to them are satisfied. When the grants are related to cost components, they are recognized as revenues, but are systematically allocated over the years to match the costs they intend to compensate. In the event that the grant is related to an asset, the fair value is used to decrease the value of the asset. It is also suspended in liabilities if the asset to which it is related has not come into operation, or is under construction and the related amount is not covered by the value of the same asset.

DIVIDENDS

Dividends are recognized when the Shareholders' right to receive payment arises, which normally corresponds to the shareholders' meeting resolution on the distribution of dividends. The distribution of dividends to Shareholders is recorded as a liability in the financial statements in the period in which the distribution of the same is approved by the Shareholders' Meeting and reflected as a movement of equity.

TAXES

Current taxes are determined based on an estimate of taxable income, in compliance with the applicable tax legislation.

Deferred tax assets and deferred tax liabilities are calculated against all the differences that emerge between the tax base of an asset or liability and the related carrying amount, with the exception of goodwill upon initial recognition. Deferred tax assets, including those relating to previous tax losses, for the portion not offset by deferred tax liabilities, are recognized to the extent that it is probable that future taxable income will be available against which they can be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable in the years in which the differences will be realized or settled.

The amount of deferred tax assets is reviewed at each reporting date and possibly reduced to the extent that it is no longer probable that sufficient tax profits will be available in the future to allow all or part of the related credit to be used. Unrecognized deferred tax assets are reviewed annually at the reporting date and are recognized to the extent that it has become probable that the tax profit is sufficient to allow such deferred tax assets to be recovered.

Current taxes, deferred tax assets and deferred tax liabilities are recognized in the statement of profit and loss under the item "Income taxes", with the exception of those relating to items recognized in the Statement of comprehensive income other than profit and those relating to items directly debited or credited to equity. In these latter cases, deferred taxes are recognized in the Statement of comprehensive income and directly in equity. Deferred tax assets and deferred tax liabilities are offset when they are applied by the same tax authority, there is a legal right to offset them, and a settlement of the net balance is expected.

Other taxes not related to income, such as indirect taxes, are included in the statement of profit and loss item "Other operating costs".

EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the profit or loss attributable to the holders of ordinary shares of the Company by the weighted average of ordinary shares in circulation during the year, adjusted to take into account the treasury shares owned. The diluted earnings per share are calculated by adjusting the profit or loss attributable to the holders of ordinary shares, as well as the weighted average of shares in circulation, as defined above, to take into account the effects of all potential ordinary shares with dilutive effect.

2.5. New Accounting Standards, amendments and interpretations adopted by the Group

The following new standards and amendments effective from January 1, 2023 were adopted by the Group for the preparation of these Consolidated Financial Statements:

Amendments to IFRS 17 — Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information	In December 2021, the IASB issued amendments to IFRS 17 — *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information*, which provides a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	In May 2021, the IASB issued amendments to IAS 12 — *Income Taxes: Deferred Tax related to Assets and Liabilities Arising From a Single Transaction* that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations, transactions for which companies recognize both an asset and a liability. In particular, it has been clarified that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. These amendments are effective January 1, 2023, with early application allowed.
IFRS 17 — Insurance Contracts	In May 2017, the IASB issued IFRS 17 — Insurance Contracts, which establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued as well as guidance relating to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020 the IASB issued amendments to IFRS 17 aimed at helping companies implement IFRS 17 and make it easier for companies to explain their financial performance.
Amendments to IAS 1 — Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	In February 2021, the IASB issued amendments to the *IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies* which require companies to disclose their material policy information rather than their significant accounting policies and provide guidance on how to apply the concept of materiality to the disclosure of accounting policies.
Amendments to IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	In February 2021, the IASB issued amendments to IAS 8 — *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* which clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.
Amendments to IFRS 4 — Insurance Contracts	In June 2020, the IASB issued amendments to IFRS 4 — *Insurance Contracts* which defer the expiry date of the temporary exemption from applying IFRS 9 to annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 — Income taxes: International Tax Reform – Pillar Two Model Rules	In May 2023, the IASB issued amendments to IAS 12 — *Income taxes: International Tax Reform – Pillar Two Model Rules*, to clarify the application of IAS 12 — *Income taxes* to income taxes arising from tax law enacted or substantively enacted to implement the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes). The amendments introduce: (i) a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the

	Pillar Two model rules, which was effective immediately upon issuance of the amendment, and (ii) disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before the effective date of the Pillar Two model rules, which apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

The adoption of these amendments had no significant effect.

Accounting standards not yet applicable, as they have not been approved by the European Union

The standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") that will have mandatory application in 2024 or subsequent years are listed below. As of the date of preparation of these Consolidated Financial Statements, no significant impacts are expected.

Amendments to IAS 1 — Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	In January 2020, the IASB issued amendments to IAS 1 — *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* to clarify how to classify debt and other liabilities as current or non-current, and in particular how to classify liabilities with an uncertain settlement date and liabilities that may be settled by converting to equity. These amendments are effective on or after January 1, 2024. The Group does not expect any significant impact from the adoption of these changes.
IFRS 16 – Leases: Liability in a Sale and Leaseback	In September 2022, the IASB made changes to the *IFRS 16 – Leases: Liabilities in a sale and leaseback* to provide guidelines for assessing the liability arising from a sale and leaseback transaction, aimed at ensuring that the seller-lessee does not recognize any profit or loss amount related to the retained right of use. These changes are effective from January 1, 2024. The Group does not foresee significant impacts from the adoption of these changes.
IAS 1 – Presentation of Financial Statements: Non-current Liabilities with Covenants	In October 2022, the IASB issued amendments to IAS 1 — *Presentation of Financial Statements: Non-current Liabilities with Covenants*, that clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. These amendments are effective on or after January 1, 2024. These changes have not yet been ratified by the European Union.
IAS 7 — Statement of Cash Flows and IFRS 7 — Financial Instruments: Disclosures: Supplier Finance Arrangements	In May 2023, the IASB issued amendments to IAS 7 — *Statement of Cash Flows* and IFRS 7 — *Financial Instruments: Disclosures: Supplier Finance Arrangements,* that introduce new disclosure requirements to enhance the transparency and usefulness of the information provided by entities about supplier finance arrangements and are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments are effective on or after January 1, 2024. The Group is assessing the potential impact resulting from the adoption of these changes.
IAS 21 — The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	In August 2023, the IASB issued amendments to IAS 21 — *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*, to clarify how an entity has to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determine the exchange rate to use and the disclosures to provide. These amendments are effective on or after January 1, 2025. The Group does not foresee significant impacts from the adoption of these amendments.

It is noted that the Group has not adopted, in advance, accounting standards and amendments with an effective date in subsequent years.

3. Risk Management

The Group's activities are exposed to the following risks: i) market risk, defined as currency risk, interest rate risk and price risk, ii) credit risk, iii) liquidity risk and iv) capital risk.

The Group's risk management strategy is aimed at minimizing potential negative effects on the Group's financial performance.

Currently and based on the estimates made, no problems of business continuity or impairment emerge.

INTEREST RATE RISK

The Group has subscribed "Interest Rate Swap" hedging derivatives on interest rate risk, to cover the risk of fluctuation of the interest rate applied on variable rate financing contracts. The following tables provide details of the instruments subscribed as of December 31, 2023 and 2022:

Bank loans as of December 31, 2023		**Cash Flow hedge derivative instruments**	
	Principal amount	**Principal amount as of December 31, 2023**	
(in Euro)		**IRS**	**Total**
Variable rate loans	26,555,052	15,500,000	15,500,000
Fixed rate loans	2,050,000	-	-
Total	**28,605,052**	**15,500,000**	**15,500,000**

Bank loans as of December 31, 2022		**Cash Flow hedge derivative instruments**	
	Principal amount	**Principal amount as of December 31, 2022**	
(in Euro)		**IRS**	**Total**
Variable rate loans	15,455,015	15,455,015	**15,455,015**
Fixed rate loans	630,684	-	**-**
Total	**16,085,699**	**15,455,015**	**15,455,015**

The Group, in choosing financing and investment operations, has adopted criteria of prudence and limited risk and has not carried out speculative transactions.

CURRENCY RISK

The Group believes that it is not significantly exposed to fluctuations in exchange rates, therefore it does not carry out operations in derivative financial instruments to hedge against currency risk. In particular, despite the Group conducting its business abroad, exposure to foreign countries is limited and there are no financial liabilities in currencies other than the Euro.

PRICE RISK

The Group believes it is not significantly exposed to the movements of the prices of raw materials and commodities used in the production process and to the consequent influence of these on operating margins.

CREDIT RISK

Credit risk is essentially derived from receivables from customers. To mitigate the credit risk related to commercial counterparties the Group put in place procedures aimed at ensuring that product sales are made to customers who are deemed reliable. This risk, which takes the form of the possibility that the counterparty does not fulfill its contractual obligations, is mitigated through constant monitoring of its commercial exposure and the collection times of receivables.

It should also be specified that the credit risk is further limited considering the characteristics of the customers, largely public entities.

The Group applies the simplified approach provided by IFRS 9 for the estimate of the recoverability of its trade receivables. The adjustment of the estimates that results from this takes into account the risk of non-collectability of receivables through the differentiation of the ECL (*Expected Credit Losses*) applied to groups of homogeneous receivables with respect to the risk profile and age, or depending on the progress of the actions taken for the recoverability of doubtful receivables. The amount of financial assets considered doubtful for recovery is not significant and is, in any case, covered by appropriate allocations to the bad debt allowance. See Note 19 for more details about the bad debt allowance.

LIQUIDITY RISK

The liquidity risk is associated with the Group's ability to meet commitments deriving mainly from financial liabilities. A prudent management of the liquidity risk originating from the Group's normal operations involves maintaining an adequate level of cash availability and the availability of liquidity obtainable through an adequate amount of credit lines. Cash flows, financing needs and liquidity are constantly monitored and managed with the aim of ensuring an effective and efficient management of financial resources.

CAPITAL RISK

The Group's objective in managing capital risk is mainly to safeguard the going concern in order to guarantee returns to shareholders and benefits to all stakeholders. The Group also aims to maintain an optimal capital structure in order to reduce the cost of indebtedness.

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The *fair value* of trade receivables and other financial assets, payables to suppliers, other liabilities and loans, recorded among the "current" items of the Statement of Financial Position and evaluated with the amortized cost method, being mainly assets underlying commercial relationships whose settlement is expected in the short term, does not differ from the amounts recognized in the financial statements as of December 31, 2023 and 2022.

Non-current financial liabilities and assets are settled or measured at market rates and it is believed, therefore, that the *fair value* of the same is substantially in line with current carrying amounts.

The following is a classification of financial assets and liabilities by category as of December 31, 2023 and 2022 identified based on the requirements of IFRS 7.

As of December 31, 2023 *(in Euro)*	**Financial assets / liabilities at amortized cost**	**Fair valueof hedging instruments**	**Assets / liabilities at fair value through the profit or loss**	**Non-financial assets / liabilities**	**Total**
Assets					
Non-current financial assets	68,066	85,144	-	-	**153,210**
Current financial assets	985,189	231,110	-	-	**1,216,299**
Trade receivables and contract assets	57,260,265	-	-	-	**57,260,265**
Cash and cash equivalents	17,561,190	-	-	-	**17,561,190**
Total assets	**75,874,710**	**316,254**	**-**	**-**	**76,190,964**
Liabilities					
Non-current financial liabilities	16,372,319	-	4,074,006	-	**20,446,325**
Non-current lease liabilities	2,571,452	-	-	-	**2,571,452**
Current financial liabilities	6,685,676	-	1,666,391	-	**8,352,067**
Current lease liabilities	1,207,015	-	-	-	**1,207,015**
Trade payables	14,377,973	-	-	-	**14,377,973**
Total liabilities	**41,214,435**	**-**	**5,740,397**	**-**	**46,954,832**

As of December 31, 2022 *(in Euro)*	**Financial assets / liabilities at amortized cost**	**Fair value of hedging instruments**	**Assets / liabilities at fair value through the profit or loss**	**Non-financial assets / liabilities**	**Total**
Assets					
Non-current financial assets	44,749	430,275	-	-	**475,024**
Current financial assets	1,028,327	303,985	-	-	**1,332,312**
Trade receivables and contract assets	68,113,412		-	-	**68,113,412**
Cash and cash equivalents	19,885,505		-	-	**19,885,505**
Total assets	**89,071,993**	**734,260**	**-**	**-**	**89,806,253**
Liabilities					
Non-current financial liabilities	11,744,570	-	-	-	**11,744,570**
Non-current lease liabilities	2,059,798	-	-	-	**2,059,798**
Current financial liabilities	3,635,117	-	-	-	**3,635,117**
Current lease liabilities	1,191,346	-	-	-	**1,191,346**
Trade payables	10,571,285	-	-	-	**10,571,285**
Total liabilities	**29,202,116**	**-**	**-**	**-**	**29,202,116**

FAIR VALUE MEASUREMENT

The *fair value* of financial instruments listed on an active market is based on market prices as of the financial statements' reporting date. The *fair value* of instruments that are not listed on an active market is determined using measurement techniques based on a series of methods and assumptions related to market conditions as of the financial statements' reporting date.

The following is the classification of the *fair values* of financial instruments based on the following hierarchical levels:

Level 1: Fair value determined with reference to listed prices (not adjusted) on active markets for identical financial instruments;

Level 2: Fair value determined with measurement techniques with reference to observable variables on active markets;

Level 3: Fair value determined with measurement techniques with reference to unobservable market variables.

The following tables present the classification of the fair value of current financial instruments, as of December 31, 2023 and 2022. The amounts refer to interest rate hedging derivatives subscribed by the Group and the put option recognized in relation to the acquisition of Diateam S.a.S. - for more information, please refer to notes 5 and 23.

As of December 31, 2023		**Fair Value**		**Total**
(in Euro)	**Level 1**	**Level 2**	**Level 3**	
Non-current assets	-	**85,144**	-	**85,144**
Derivative financial instruments	-	85,144	-	85,144
Current assets	-	**231,110**	-	**231,110**
Derivative financial instruments	-	231,110	-	**231,110**
Current and non-current financial liabilities	-	**-**	**(5,740,397)**	**(5,740,397)**
Put option on business combinations	-	-	(5,740,397)	**(5,740,397)**
Total	**-**	**316,254**	**(5,740,397)**	**(5,424,143)**

As of December 31, 2022		**Fair Value**		**Total**
(in Euro)	**Level 1**	**Level 2**	**Level 3**	
Non-current assets	-	**430,275**	-	**430,275**
Derivative financial instruments	-	430,275	-	430,275
Current assets	-	**303,985**	-	**303,985**
Derivative financial instruments	-	303,985	-	**303,985**
Total	**-**	**734,260**	**-**	**734,260**

Measurement techniques and inputs used

The *fair value* of the put option on business combinations, amounting to Euro 5,740 thousand, is related to the accounting, under the anticipated acquisition method provided by IFRS 3 - Business Combinations, of the liability connected to the acquisition of control of Diateam SaS and deriving from the put option provided in favor of the non-controlling interests (sellers) on the remaining share of 44.67% as provided by the acquisition contract.

The *fair value* of the aforementioned liability was calculated by implementing a Monte Carlo simulation model, simulating a large number of prospective future scenarios of Diateam's EBITDA. In each scenario and for each tranche, the prospective value of EBITDA was simulated through a normal model (Bachelier framework), starting from the value realized in 2023 by the subsidiary Diateam and from the values forecasted in the Business Plan of the subsidiary, for 2024 and 2025. For each simulated EBITDA scenario, the value of the Strike Price at the option exercise date was calculated, taking into account the contractually defined constraints. In each scenario, the amount of the liability was then obtained as the sum of the discounted values of the Strike Price related to the different tranches at the *cost of* *debt*. The final amount of the liability was calculated as the arithmetic average, over all scenarios, of the relative simulated amounts.

The simulation model was implemented based on the following assumptions:

- for the calculation of the value of the liability, the *cost of debt* of the parent company was considered as the discount rate. This rate was assumed to be an IBR rate (*Incremental Borrowing Rate*), calculated from a discount curve identified by the sum of the following three components:
    - risk-free component, obtained from interbank interest rates expressed in euros over different maturities. In particular, a discount curve was determined through the bootstrapping procedure, starting from market data collected through public information providers;
    - credit risk component: at the measurement date, the parent company obtained an indication of implicit rating based on the credit conditions found in the financing contracts in force. In particular, an implicit credit rating was obtained from the margins of the most significant tranches of these financings. The margins thus obtained were then compared with the spreads of the CDS Service Company Western Europe curves and the curve closest to this spread level was identified, corresponding overall to a B+ rating for both. This indication of creditworthiness was used for the selection of the corresponding CDS curve. The credit risk component was then estimated from the relative CDS levels.
    - component of adjustment for country risk, determined between the curve of the spread on Italian government CDS and the aggregate curve of the spread on investment grade Euro area government CDS;
    - The volatility parameter of Diateam's EBITDA was calculated from the time series of EBITDA for comparable companies.

The changes in the *fair value* of the aforementioned liability, amounting to Euro 553 thousand, are recorded by the Group in the Statement of profit and loss, under the heading "Net financial expense". For more information, please refer to note 12 of the Notes to the Consolidated Financial Statements.

4. Estimates and Assumptions

The preparation of the financial statements requires the Directors to apply accounting principles and methods which, in certain circumstances, are based on difficult and subjective assessments and estimates based on historical experience and assumptions that are considered reasonable from time to time and realistic according to the relative circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statements, in the Statement of Financial Position, in the Statement of profit and loss, in the Statement of Comprehensive Income, in the Statement of Cash Flows, in the Statement of Changes in Equity, as well as in the disclosure provided. The estimates are based on the most recent information that the Directors have at the time of drafting the present financial statements.

The final results of the financial statements items for which the aforementioned estimates and assumptions have been used may differ from those reported in the financial statements that reflect the effects of the occurrence of the event subject to estimation, due to the uncertainty that characterizes the assumptions and conditions on which the estimates are based.

The areas that require more subjectivity on the part of the Directors in preparing the estimates, and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial data, are briefly described below.

(a) Impairment of assets

In accordance with the accounting standards applied by the companies of the Group, property plant and equipment and intangible assets are subject to verification in order to ascertain whether a reduction in value has taken place, which must be recognized through an impairment loss, when there are indicators that suggest difficulties in recovering the related net carrying amount, represented by the higher between fair value less cost of disposal and value in use. The verification of the existence of the aforementioned indicators requires the directors to make subjective assessments based on the information available within the Group companies and on the market, as well as from historical experience. Furthermore, if it is determined that a potential impairment may have occurred, the companies of the Group proceed with the determination of the impairment using measurement techniques deemed appropriate. The correct identification of the elements indicating the existence of a potential impairment of property plant and equipment and intangible assets, as well as the estimates for their determination, depend on factors that may vary over time, influencing the assessments and estimates made by the Directors.

With particular reference to the estimation of the value in use through a method based on the discounting of expected financial cash flows, it is highlighted that this methodology is characterized by a high degree of complexity and the use of estimates, by their uncertain and subjective nature, about:

- the expected flows, determined taking into account the general economic trend and the industry, the financial cash flows produced in the last few years and the forecast growth rates;
- the financial parameters to be used for the discounting of the above mentioned flows.

(b) Purchase Price Allocation

In the context of business combinations, for the consideration transferred for the acquisition of control of a company, the identifiable assets acquired and liabilities assumed are recognized in the consolidated financial statements at present values (fair value) at the date of acquisition, through a process of allocation of the paid price (Purchase Price Allocation). Generally, the Group determines the fair value of the acquired assets and liabilities assumed through methodologies based on the discounting of expected financial cash flows. This method is characterized by a high degree of complexity and the use of estimates, by their uncertain and subjective nature, about:

- the expected financial cash flows, determined taking into account the economic trend of the acquired companies and their respective industry, the financial cash flows accounted for in the last few years and the forecast growth rates;
- the financial parameters used for the determination of the discount rate.

(c) Amortization and depreciation

The cost of property, plant and equipment and intangible assets is amortized/depreciated on a straight-line basis over the estimated useful life of the related assets. The useful economic life of these assets is determined by the Directors when they are purchased; It is based on historical experience for similar assets, market conditions, and expectations regarding future events that could have an impact on the useful life of the assets, including changes in technology. Therefore, the actual economic life may differ from the estimated useful life.

(d) Fair value measurement

In measuring the fair value of an asset or a liability, the Group makes use of observable market data as far as possible. Fair values are distinguished into various hierarchical levels based on the input data used in measurement techniques, as better described in the previous paragraph "Fair value measurement".

(e) Provisions for risk and charges

The Group identifies in the provisions for risk and charges the likely liabilities attributable to personnel expenses, suppliers, third parties and, in general, other expenses arising from obligations undertaken; the provisions recorded are representative of the risk of negative outcome associated with the listed cases. The amount of the provisions recorded in the financial statements relating to these risks represents the best estimate at the date made by the Directors. This estimate involves the adoption of assumptions which depend on factors that may change over time and that could, therefore, have significant effects compared to the current estimates made by the Directors for the preparation of the Group's financial statements.

(f) Loss allowance

The loss allowance reflects the estimates of estimated losses for the Group's loan portfolio. Provisions were made for expected losses on receivables, estimated based on past experience with reference to receivables with similar credit risk, to current and historical unpaid amounts, as well as to the careful monitoring of the quality of the loan portfolio and the current and expected conditions of the economy and the reference markets. Estimates and assumptions are periodically reviewed and the effects of any change are reflected in the Statement of profit and loss in the relevant year.

(g) Contract assets and liabilities

In the measurement of contract assets and liabilities, the Group determines whether contract revenues should be recognized at a certain time or over time and estimates the percentage of completion based on the method of *cost to cost*.

(h) Employee benefits

The actuarial measurement requires the processing of various assumptions that may differ from actual future developments. The results depend on the technical bases adopted such as, among others, the discount rate, the inflation rate, the wage increase rate and the expected turnover. All assumptions are reviewed annually.

(i) Deferred tax assets

Deferred tax assets must be recognized for all deductible temporary differences or for tax losses if it is likely that taxable income will be realized against which deductible temporary difference or tax losses can be used exist. The Group assesses the possibility to recognize deferred tax assets based on future economic projections. The estimates and assumptions underlying such future economic projections are reviewed periodically.

(l) Lease liabilities

The measurement of lease liabilities is influenced by the duration of the lease as the non-cancellable period of the lease, to which both the following periods are to be added: a) periods covered by a lease extension option, if the lessee is reasonably certain to exercise the option; and b) periods covered by the lease termination option, if the lessee is reasonably certain not to exercise the option. The measurement of the lease duration involves the assumption of estimates that depend on factors that can change over time with potentially significant effects compared to the assessments made by the Directors.

5. Business Combinations

2023

On October 20, 2022, CY4Gate subscribed a preliminary agreement for the acquisition of 55.33% of Diateam S.a.S. (hereinafter “**Diateam**”), a French company specializing in the design, development and implementation of advanced systems for testing, validation and training in the field of cyber security (so-called cyber hybrid digital twin), for government and corporate customers. The closing of the operation took place on January 30, 2023 with the signing, following the occurrence of certain conditions precedent, of the purchase of 55.33% for a price of Euro 5.5 million, including an earn out conditioned to the achievement of certain economic and financial objectives by the acquired company. The acquisition was financed through the use of Euro 3.3 Million of the acquisition Capex line subscribed during the previous year with a pool of banks. The acquisition contract also includes a put and call mechanism that allows CY4Gate to obtain 100% control of Diateam by 2026. On the remaining 44.67% owned by the selling shareholders, put and call option rights are in fact envisaged, exercisable on 15.33% after the approval of the 2023 financial statements, on 14.67% after the approval of the 2024 financial statements and on the remaining 14.67% after the approval of the 2025 financial statements.

The net amount of the assets acquired can be detailed as follows:

(in Euros)	**Book value as of the date of acquisition**	**Revaluation/ Depreciation**	**Fair value**
Non-current assets	**1,238,083**	**2,999,932**	**4,238,015**
Intangible assets and goodwill	162,316	2,999,932	3,162,248
Property, plant and equipment	548,560	-	548,560
Right-of-use assets	436,200	-	436,200
Equity-accounted ivestments	1,000	-	1,000
Non-current financial assets	89,983	-	89,983
Deferred tax assets	24	-	24
Current assets	**2,678,374**	**-**	**2,678,374**
Inventories	34,249	-	34,249
Trade receivables	908,036	-	908,036
Current tax assets	35,575	-	35,575
Other current assets	371,568	-	371,568
Cash and cash equivalents acquired	1,328,946	-	1,328,946
Non-current liabilities	**(353,449)**	**(749,983)**	**(1,103,432)**
Non-current lease liabilities	(353,449)	-	(353,449)
Deferred tax liabilities	-	(749,983)	(749,983)
Current liabilities	**(1,352,529)**	**-**	**(1,352,529)**
Trade payables	(90,712)	-	(90,712)
Current financial liabilities	(475,645)	-	(475,645)
Current lease liabilities	(82,750)	-	(82,750)
Income tax liabilities	(218,470)	-	(218,470)
Other current liabilities	(484,952)	-	(484,952)
Net assets acquired	**2,210,479**	**2,249,949**	**4,460,428**
Goodwill			**6,281,805**
Net amount of assets acquired (consideration)			**10,742,233**

Goodwill is mainly attributable to the technical synergies and know-how that are expected to be achieved from the integration of the company within the existing Group. The recognized goodwill is not deductible for tax purposes.

The fair value of the consideration at the acquisition date consists of:

- a fixed amount, for the purchase of 55.33%, amounting to Euro 3.9 Million (including Euro 0.6 Million price adjustment) in order to reflect the actual amount of the effective net financial position at the closing of the transaction as agreed by the parties to the sales contract;
- a variable amount, related to EBITDA and turnover targets, for the purchase of 55.33%, amounting to Euro 1.6 Million, determined on the basis of some price supplements, achieved by Diateam for the year ended December 31, 2022 and consequently paid;

- Put options on 44.67% whose present value at the date of acquisition of control was estimated at Euro 5.2 Million.

In this regard, it is specified that the Group, as permitted by the reference accounting standards, has adopted the *anticipated acquisition method* for accounting for the put options provided for in the acquisition contract. This method also involved the consideration, in the determination of the transferred consideration for the acquisition of control, of the present value of the *liability* arising from the put option provided in favor of the non-controlling interests (sellers) on the remaining 44.67% stake as provided for in the acquisition contract.

Consequently, the recognition of the business combination did not result in the recognition of NCI (non-controlling interests) in these consolidated financial statements.

The details of the cash absorbed by the acquisition are reported below:

(in Euro)	
Consideration paid	5,555,051
Cash and cash equivalents acquired	(1,328,946)
Net cash flow from investing activities	**4,226,105**

The acquired business has contributed to the Group's results with Revenue of Euro 2,757 thousand and a profit of Euro 532 thousand for the period from January 1 to December 31, 2023.

6. Segment Information

IFRS 8 defines an operating segment as a component i) that involves business activities generating Revenues and costs, ii) whose operating results are periodically reviewed at the highest decision-making level and iii) for which separate financial-economic data are available. For the purposes of IFRS 8, the activity carried out by the Group is identifiable in a single operating segment, that of the development and marketing of cyber intelligence and cyber security products.

7. Revenues

This item mainly refers to the sale of products and can be detailed as follows:

	For the year ended December 31,	
(in Euro)	**2023**	**2022**
Revenues from sales and services	66,666,596	53,871,777
Change in contract assets work in progress	(177,543)	190,660
Total	**66,489,053**	**54,062,437**

Revenues recorded for the year ended December 31, 2023 present an increase compared to the previous period of Euro 12,426 thousand, attributable for Euro 2,757 thousand to the change in scope of consolidation following the acquisition of control of Diateam S.a.S. starting from January 1, 2023, as well as the inclusion of the results of the RCS Group from January 1, 2023 differently from the 2022 comparison which includes the data of the RCS Group starting from the second quarter of the year. In the first quarter of 2022, RCS recorded Revenues of Euro 11,305 thousand.

The item "Change in contract assets work in progress" can be traced back to the sum of revenue related to ongoing contracts recognized "over time", mainly acquired in the last few months of 2023, and revenues resulting from the closure of certain contracts completed during the period.

The following table presents the breakdown of revenues recognized "at a point in time" (i.e. upon delivery of the good, license or service) or "over time".

	For the year ended December 31,	
(in Euro)	**2023**	**2022**
Recognized at point in time	18,201,855	21,098,726
Recognized over time	48,464,741	32,773,051
Total	**66,666,596**	**53,871,777**

Within each contract, the reference element for revenue recognition is the individual performance obligation. For each obligation to act, separately identified, the Group recognizes revenues when (or as) it fulfills the obligation itself, transferring the promised good/service (i.e. the asset) to the customer. The asset is transferred when (or as) the customer acquires control. For the obligations to act fulfilled over time, revenues are recognized over time, evaluating the progress made towards complete fulfillment of the obligation at the end of each year. For the evaluation of progress, the Group uses the method based on inputs (*cost to cost method*). Revenues are recognized based on the inputs used to fulfill the obligation to date, compared to the total inputs assumed to fulfill the entire obligation. When the inputs are distributed uniformly over time, the Group linearly recognizes the corresponding revenues. In certain circumstances, when it is not possible to reasonably evaluate the result of the obligation to act, revenues are recognized only up to the costs incurred.

The following table presents revenues broken down by geographical area:

	For the year ended December 31,	
(in Euro)	**2023**	**2022**
Italy	37,712,516	34,375,749
Outside Italy	28,776,537	19,686,688
Total	**66,489,053**	**54,062,437**

8. Other Revenue and Income

This item can be detailed as follows:

	For the year ended December 31,	
(in Euro)	**2023**	**2022**
Tax benefits	1,271,275	2,043,671
Grants	301,392	376,827
Other	202,598	162,375
Total	**1,775,265**	**2,582,873**

The decrease in other revenue and income is mainly due to the change in the "tax benefits" item for Euro 772 thousand compared to the previous year, influenced by the downward regulatory change in the rates for the calculation of the benefits. The income from tax benefits for the year ended December 31, 2023 refers to i) tax benefits for research and development activities (Euro 757 thousand) and ii) tax benefits for the purchase of assets.

With reference to business combinations, compared to the 2022 year, other revenues include Euro 113 thousand from Diateam S.a.S., acquired and consolidated by the Group from January 1, 2023, in addition to higher revenues from the consolidation of the RCS Group for the entire year in 2023, for nine months in 2022.

9. Purchases, services and personnel expenses

This item can be detailed as follows:

	For the year ended December 31,	
(in Euro)	**2023**	**2022**
Costs for raw materials and goods	3,300,696	1,534,836
Costs for consumable materials	550,208	256,539
Total costs for raw materials	**3,850,904**	**1,791,375**
Legal and consultancy fees	4,855,289	6,936,060
Utilities and telephone expenses	3,065,676	2,533,708
Technical and commercial services	4,718,454	1,012,544
Management and administration services	2,692,711	1,165,315
Maintenance	1,888,446	994,789
Rentals and accessory expenses	1,909,419	1,259,712
Representation and promotion expenses	1,855,851	1,470,468
Other costs	4,264,530	4,263,283
Total service costs	**25,250,376**	**19,635,879**
Wages and salaries	19,499,424	14,719,156
Social security contributions	7,152,554	5,007,942
Post-employment benefits (TFR)	1,278,241	983,074
Retirement benefits and similar	162,918	149,596
Directors' remuneration	531,245	428,955
Share-based payments	211,295	-
Other costs	220,725	223,986
Total personnel expenses	**29,056,402**	**21,512,709**
Total purchases, services and personnel expenses	**58,157,682**	**42,939,963**

Service costs and personnel expenses are presented net of capitalizations made for development costs. Such capitalizations amount to Euro 2,601 thousand and Euro 4,561 thousand respectively for the year ended December 31, 2023 (Euro 1,395 thousand and Euro 2,235 thousand for the year ended December 31, 2022). For more information, please refer to Note 15.

It is also represented that service costs include the costs incurred for the process of *translisting* and integration in the year, amounting to Euro 2,747 thousand.

The item "share-based payments", included in personnel expenses, refers to the recognition of the expense for the year related to the stock grant plan approved by the parent company. The recognition of this expense implied the recognition of an equity reserve. The main features of the plan are described below.

The stock grant plan approved by the parent company consists in the award to the beneficiaries, free of charge, of shares of the parent company, over an allocation cycle of the shares referred to the three-year period 2023-2025. The maximum number of shares that can be allocated collectively to the beneficiaries will be 427,500, throughout the entire duration of the plan cycle. Each year, the allocation of the shares is subordinated to the Group's achievement of the financial performance targets and the qualitative targets defined in the plan regulations. For the purposes of the regulation, the date of share allocation is the date of the resolution by which the Board of Directors ascertains the achievement of the aforementioned objectives. In relation to what has been described so far, the measurement of the plan has determined, for the year under review, a cost of Euro 211 thousand and implied the recognition of an equity reserve for the same amount.

The increase in raw materials, services and personnel expenses is attributable to the change in scope of consolidation following the acquisition of control of Diateam S.a.S. from January 1, 2023, respectively for Euro 346 thousand, Euro 351 thousand and Euro 1,442 thousand, as well as the inclusion of the results of the RCS Group for the whole of 2023 differently from the year ended December 31, 2022 that includes the data of the RCS Group from the second quarter of the year. In addition, it is noted that in 2023 the Group confirmed the strengthening of the workforce with the entry of 118 new resources compared to 84 exits both in the sales area for the consolidation of the Group's presence in strategic markets, and of the technical teams of Development and delivery to support the increase in business volumes. Furthermore, 28 resources have become part of the CY4 Group following the Diateam acquisition.

The following is the average number of the Group's employees:

	For the year ended December 31,	
(in Units)	**2023**	**2022**
Executive managers	23	19
Middle managers	74	44
Employees	398	337
Total	**495**	**400**

10.Depreciation and amortization

This item can be detailed as follows:

	For the year ended December 31,	
(in Euro)	**2023**	**2022**
Amortization of intangible assets	12,879,762	9,361,929
Depreciation of property, plant and equipment	1,808,985	1,144,528
Depreciation of right-of-use assets	1,737,138	1,595,725
Total	**16,425,885**	**12,102,182**

The increase in depreciation and amortization in 2023 is mainly due to the change in scope of consolidation following the acquisition of control of Diateam from January 1, 2023 and of the RCS Group from March 31, 2022, as well as the depreciation of Software, for the entire year 2023, emerged during the allocation of the respective prices paid in the *business combinations* of the RCS Group - already completed in the consolidated financial statements as of December 31, 2022 - and of Diateam - completed as of December 31, 2023 - as more fully described in the note "Business Combinations".

11. Other operating costs

This item can be detailed as follows:

	For the year ended December 31,	
(in Euro)	**2023**	**2022**
Losses on transactions	184,677	55,487
Contributions and membership fees	64,834	76,383
Taxes and other indirect taxes	71,606	88,801
Other costs	469,665	327,872
Total	**790,782**	**548,543**

"Other costs" are mainly related to the management costs of company cars.

12.Financial income and expense

This item can be detailed as follows:

	For the year ended December 31,	
(in Euro)	**2023**	**2022**
Interest income	55,291	3,887
Other financial income	435,014	19,138
Financial income	**490,305**	**23,025**
Bank interest expense	(1,594,713)	(585,636)
Lease interest expense	(108,082)	(30,364)
Net exchange losses	(7,288)	(12,033)
Interest expense on employee benefits	(20,603)	(3,649)
Other interest and financial expense	(779,092)	(281,938)
Net financial expense	**(2,509,778)**	**(913,620)**

The change in financial expense is mainly due to higher bank interest expense (amounting to Euro 1.009 thousand) and higher "other interest expenses and financial charges” due to the recognition of the fair value change of the put liability registered with reference to the acquisition of the subsidiary Diateam S.a.S. (amounting to Euro 553 thousand). For more information, please refer to the note “Business combinations”. The contribution to the aforementioned items from Diateam S.a.S, acquired and consolidated by the Group from January 1, 2023, amounts to Euro 94 thousand in financial income and Euro 9 thousand in financial expense.

Finally, an increase in financial income and expense also relates to the RCS Group, consolidated for the entire year in 2023, compared to nine months in 2022.

13. Income Taxes

This item can be detailed as follows:

(in Euro)	For the year ended December 31, 2023	2022
Current taxes	(1,619,433)	(221,847)
Taxes relating to previous periods	2,291	616,003
Deferred taxes	2,212,093	2,761,959
Total	**594,951**	**3,156,115**

The increase in current taxes in 2023 is primarily related to the subsidiary Dars Telecom SL, which recorded higher current taxes compared to the previous year by Euro 966 thousand, as a result of the strong growth in business compared to the previous year in which, among other things, as part of the RCS Group it was subject to consolidation for only 9 months compared to the entire year 2023.

CY4Gate, as the consolidating entity, and its subsidiaries RCS ETM Security S.p.A. and Tykelab S.r.l., as consolidated entities, participate in the National Fiscal Consolidation in force for the 2023-2025 three-year period. The relationships between the consolidating and consolidated entities are governed by the National Fiscal Consolidation Regulation of the Group, inspired by criteria of homogeneity and neutrality.

The following table presents the reconciliation of the theoretical tax charge with the effective tax charge for the year ended December 31, 2023 and for the period ended December 31, 2022:

(in Euro)	For the year ended December 31, 2023	2022
Loss before taxes	(9,493,119)	(682,277)
Theoretical IRES taxes	2.278.349	1.520.417
Lower taxes		
Other	(3,244,781)	(1,880,934)
Higher taxes		
Other	253,616	213.287
Total current income taxes (IRES)	206.644	53.976
IRAP	18.560	18.869
Foreign income taxes	1.394.229	189.775
Taxes relating to previous periods	(2,291)	(656,776)
Deferred taxes	(2,212,093)	(2,761,959)
Total income taxes	**(594,951)**	**(3,156,115)**

14. Earnings/(Loss) per share and Diluted Earnings/(Loss) per share

The loss per share (hereinafter "earnings per share" or "EPS") amounts to Euro 0.38, calculated by dividing the net loss (amounted to Euro 8,898 thousand) by the average number of shares in the reference period (23,529,966). The loss per share coincides with the diluted loss per share.

15. Goodwill

Goodwill, amounting to Euro 42,080,435 as of December 31, 2023 (Euro 35,798,630 as of December 31, 2022) was identified following the business combinations concluded during 2023 (for more details on these latter, please refer to Note 5 - "Business Combinations"), as well as acquisitions carried out in previous years. Goodwill was allocated to the

Diateam CGU (Euro 6,282 thousand) and to the RCS Group CGU (Euro 35,798 thousand) at the time of acquiring control of each individual company or group of companies. Its recoverable amount was determined by estimating the value in use considering the flows forecasted based on the Group's Business Plan prepared for the time horizon 2024-2028, which reports the projections related to sales, investments, margins, as well as the trend of the main market variables (e.g. inflation, nominal interest rates and exchange rates). It should be noted that for the preparation of the goodwill impairment test, the Group's Management made use of the specific advice of an external expert.

The value in use was determined using the discounted cash flow method, in the unlevered version, applied to the forecast data prepared by the Group's Directors for the five-year period from 2024 to 2028. The cash flows used for the determination of the value in use are related to the operating management of Diateam, of the RCS Group and do not include the net financial expense, theoretical taxes and extraordinary components; they include the investments planned in the plans and the cash changes attributable to working capital. As mentioned above, an explicit period of five years was used beyond which the above flows were projected according to the perpetual annuity method (Terminal value) using a growth rate (g-rate) expected for the reference market of 2%, corresponding to the ECB's inflation growth forecasts in the medium-long term.

The aforementioned financial cash flows have been updated using a pre-tax WACC of 15.10% in relation to the goodwill allocated to Diateam and a pre-tax WACC of 12.06% in relation to the goodwill allocated to the RCS Group. It is noted that the difference in rates is due to the additional risk of the Diateam CGU due to the reduced size of their respective business - *small size premium*.

The plans underlying the above mentioned impairment tests have been approved by the Boards of Directors of the subsidiaries as well as of the parent company.

Furthermore, the following sensitivity were carried out:

- with reference to Diateam CGU, in case of a change in the WACC of 2.5%, 5%, 7.5% and 10%, that is a change from 15.10% to 16.61%, and of the growth rate from 2% to 1%. No impairment would be necessary;
- with reference to RCS Group CGU, in case of a change in the WACC of 2.5%, 5%, 7.5% and 10%, that is a change from 12.06% to 13.27%, and of the growth rate from 2% to 1%. No impairment would be necessary.

Following the impairment test carried out on the basis of the above considerations, it is noted that the recoverable amount of each CGU exceeds the corresponding carrying amount as of December 31, 2023.

16.Intangible Assets

This item and the related movement can be detailed as follows:

(in Euro)	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Asset under development and advance payments	Other	**Total**
Balance as of January 1, 2022	**3,833,161**	**3,580,757**	**66,680**	**-**	**44,338**	**7,524,936**
Of which:						
- historical cost	*7,839,607*	*4,993,490*	*4,448,723*	*-*	*1,359,014*	***18,640,834***
- accumulated amortization	*(4,006,446)*	*(1,412,733)*	*(4,382,043)*	*-*	*(1,314,676)*	***(11,115,898)***
Changes in scope of consolidation	212,101		688,292		748,521	**1,648,914**
Investments	3,715,427	4,896,283	13,173,354	1,729,000	2,500,000	**26,014,064**
Disposals	-	-	-	-	5,282	**5,282**
Amortization	(2,653,867)	(2,243,238)	(3,491,952)	-	(970,477)	**(9,359,534)**
Balance as of December 31, 2022	**5,106,822**	**6,233,802**	**10,436,374**	**1,729,000**	**2,327,664**	**25,833,662**
Of which:						
- historical cost	*11,767,135*	*9,889,773*	*18,310,369*	*1,729,000*	*4,612,817*	***46,309,094***
- accumulated amortization	*(6,660,313)*	*(3,655,971)*	*(7,873,995)*	*-*	*(2,285,153)*	***(20,475,432)***
Changes in scope of consolidation	-	-	3,162,248	-	-	**3,162,248**
Investments	7,598,426	5,036,480	3,383,077	1,797,573	417,088	**18,232,644**
Amortization	(3,260,739)	(2,998,950)	(5,328,613)	-	(1,291,460)	**(12,879,762)**
Reclassifications	-	1,729,000	-	(1,729,000)	-	**-**
Balance as of December 31,2023	**9,444,509**	**10,000,332**	**11,653,086**	**1,797,573**	**1,453,292**	**34,348,792**
Of which:						
- historical cost	*19,123,419*	*16,568,695*	*21,332,964*	*1,797,573*	*4,191,335*	***63,013,986***
- accumulated amortization	*(9,678,910)*	*(6,568,363)*	*(9,679,878)*	*-*	*(2,738,043)*	***(28,665,194)***

"Development costs" include costs related to the application of the results of research or other knowledge to a plan or project aimed at the production of new or substantially advanced applications, devices and software systems prior to the start of commercialization, for which the future production of economic benefits can be demonstrated.

Intangible assets recognized as of December 31, 2023, amount to Euro 34,348,792 and show a net increase compared to the previous year of Euro 8,515,130 attributable to:

- investments of the period for Euro 18,233 thousand, mainly attributable to investments connected to industrial patent rights (Euro 5,036 thousand), the acquisition of licenses (Euro 3,383 thousand), development costs (Euro 7,598 thousand) for which, following appropriate analysis, the Directors believed that all the requirements for their capitalization were met; the increase in assets under development and payments on account (Euro 417 thousand) for advances to external suppliers incurred for the creation of intangible assets relating to projects not yet completed;
- increase in concessions, licenses, trademarks and similar rights for an amount of Euro 3,162 thousand due to the change in scope of consolidation and the Purchase Price Allocation following the acquisition of Diatem SAS;
- amortization of Euro 12,880 thousand.

With reference to the recoverability of the discussed intangible assets with a definite useful life, it should be noted that the impairment tests carried out by the Directors, with the assistance of an external expert on all the CGUs that make up the consolidated financial statements, did not reveal the existence of impairment and therefore the need to proceed with impairment losses. With reference to the impairment test carried out on the RCS Group CGU and the Diateam CGU, please refer to the previous "Goodwill" paragraph of these notes.

With reference to the CGU, inclusive of the parent's assets and liabilities, the recoverable amount was determined by estimating the value of use considering the flows forecasted in the Business Plan prepared for the period 2024-2028, which reports the sales projections, investments, margins, as well as the trend of the main market variables (e.g. inflation, nominal interest rates and exchange rates). It is specified that even for the preparation of the impairment test of the net assets of the CY4Gate CGU, the directors of the parent company have used the specific advice of an external expert.

The value of use was determined using the discounted cash flow method, in the unlevered version, applied to the forecast data for the five-year period from 2024 to 2028. The cash flows used for the determination of the value of use are pertaining to the operations of the Parent Company CY4Gate S.p.A. stand alone, and do not include the net financial expense, the notional taxes and the non-recurring components; they include the investments forecasted in the plans and the cash changes attributed to the working capital.

As mentioned above, an explicit period of five years was used, beyond which the above flows were projected using the method of the perpetual annuity (*terminal value*) using a growth rate (g-rate) forecasted for the reference market was to 2% corresponding to the ECB inflation growth forecasts in the medium-long term.

The cash flows were updated using a pre-tax WACC of 11.55%.

The plans underlying the above-mentioned impairment tests were approved by the Board of Directors of the parents.

In addition, the following sensitivity analyses were carried out:

- in the case of a 2.5%, 5%, 7.5% and 10% change in the WACC, that is a change from 11.55% to 12.71%, and a growth rate from 2% to 1%.

Even in the described sensitivity scenarios, there was no need to record an impairment of intangible assets with a defined useful life.
Following the impairment test carried out based on the considerations illustrated above, it is found that the recoverable amount of the CGU Cy4Gate, as well as for the RCS Group and Diateam CGUs, mentioned in the previous paragraph, exceeds its carrying amount as of December 31, 2023.

17.Property, plant and equipment

This item and its movement can be detailed as follows:

(in Euro)	Plant and machinery	Industrial and commercial equipment	Other assets	Land and buildings	Assets under construction and payments on account	**Total**
Balance as of January 1, 2022	**26,237**	**105,406**	**568,231**	**-**	**-**	**699,874**
Of which:						
- historical cost	*1,110,207*	*10,726,523*	*6,677,305*	-	-	***18,514,035***
- accumulated depreciation	*(1,083,970)*	*(10,621,117)*	*(6,109,074)*	-	-	***(17,814,161)***
Changes in scope of consolidation	255,318	2,161,934	564,359	-	-	**2,981,611**
Investments	38,252	877,538	1,385,418	-	-	**2,301,208**
Disposals	-	(105,329)	-	-	-	**(105,329)**
Depreciation	(60,306)	(634,242)	(449,981)	-	-	**(1,144,529)**
Balance as of December 31,2022	**259,501**	**2,405,307**	**2,068,027**	**-**	**-**	**4,732,835**
Of which:						
- historical cost	*1,403,777*	*13,660,666*	*8,627,082*	-	-	***23,691,525***
- accumulated depreciation	*(1,144,276)*	*(11,255,359)*	*(6,559,055)*	-	-	***(18,958,690)***
Changes in scope of consolidation	-	166,374	-	382,186	-	**548,560**
Investments	709,893	2,017,911	1,055,198	1,130	81,219	**3,865,351**
Disposals	-	(21,118)	(21,520)	-	-	**(42,638)**
Depreciation	(547,483)	(605,579)	(601,566)	(54,357)	-	**(1,808,985)**
Balance as of December 31, 2023	**421,911**	**3,962,895**	**2,500,139**	**328,959**	**81,219**	**7,295,123**
Of which:						
- historical cost	*2,107,192*	*14,984,636*	*9,365,512*	*554,208*	*81,219*	***27,092,767***
- accumulated depreciation	*(1,685,281)*	*(11,021,741)*	*(6,865,373)*	*(225,249)*	-	***(19,797,644)***

The item “Property, plant and equipment” as of December 31, 2023 amount to Euro 7,295,123 and show a net increase compared to the previous year of Euro 2,562,288 mainly attributable to:

- investments for Euro 3,865 thousand, mainly for purchases of industrial and commercial equipment (Euro 2,018 thousand) and other assets (Euro 1,055 thousand);
- an increase in i) industrial and commercial equipment for Euro 166 thousand and ii) land and buildings for Euro 382 thousand due to the change in scope of consolidation following the acquisition of Diatem SAS;
- depreciation amounting to 1,809 thousand.

With reference to the recoverability of the item Property, Plant and Equipment, impairment tests on the identified CGUs, carried out by the Directors of the Parent Company with the help of an external expert, described in the previous paragraphs of these notes, have demonstrated the recoverability of the item “Property, plant and equipment” commented on and therefore the absence of impairment losses to be recognized in the Consolidated Financial Statements as of and for the year ended December 31, 2023.

18. Right-of-Use Assets

This item can be detailed as follows:

	As of December 31	
(in Euro)	**2023**	**2022**
Buildings	2,280,838	1,934,643
Hardware	682,803	827,162
Vehicles	682,550	430,955
Total	**3,646,191**	**3,192,760**

Below are the amounts included in the Statement of profit and loss for the year ended on December 31, 2023 and 2022:

	For the year ended December 31	
(in Euro)	**2023**	**2022**
Depreciation of right-of-use assets	1,737,138	1,595,725
Interest expense on lease contracts	108,082	30,364
Short-term lease costs	1,909,419	1,259,712
Total	**3,754,639**	**2,885,801**

This item is mainly attributable to the lease of the Group's offices, as well as the rental of hardware used in the ordinary operations of the RCS Group, and of vehicles.

The depreciation period of right-of-use assets is 6 years for buildings, 5 years for hardware and 4 years for cars. It should also be noted that the Group has chosen to exclude from the scope of application leases with a duration of less than 12 months and those concerning goods of modest value whose effects, therefore, are recorded under the item "Purchases, services and personnel expenses".

With reference to the recoverability of the right-of-use assets, the impairment tests on the identified CGUs, carried out by the Directors of the Parent Company with the help of an external expert, discussed in the previous paragraphs of these notes, have demonstrated the recoverability of the right-of-use assets commented on and therefore the absence of impairment losses to be recognized in the Consolidated Financial Statements as of and for the year ended December 31, 2023.

19. Inventories

This item can be detailed as follows:

	As of December 31	
(in Euro)	**2023**	**2022**
Finished products and goods	759,066	777,399
Total	**759,066**	**777,399**

The item is mainly attributable to the inventories of finished products and goods of the RCS Group (Euro 641 thousand), mainly consisting of external hard drives and other similar products currently used in the RCS Group's business. The item is completed by the inventories of the subsidiary Diateam (Euro 118 thousand).

20.Trade receivables

This item can be detailed as follows:

	As of December 31	
(in Euro)	**2023**	**2022**
From customers	48,956,738	60,245,843
From parents	5,821,839	5,524,590
Loss allowance	(1,127,391)	(1,282,213)
Total	**53,651,186**	**64,488,220**

The decrease in trade receivables is attributable to the collection during the year of items related to significant orders as well as the effect of actions to streamline operating working capital.

	As of December 31	
(in Euro)	**2023**	**2022**
From customers (Italy)	45,647,548	49,832,039
From customers (outside Italy)	9,131,029	15,938,394
Loss allowance	(1,127,391)	(1,282,213)
Total	**53,651,186**	**64,488,220**

The following table presents the movement of the loss allowance:

(in Euro)	**Loss allowance**
Balance as of January 1, 2022	**(974,880)**
Accrual	(724,194)
Utilization	416,861
Balance as of December 31, 2022	**(1,282,213)**
Accrual	(284,955)
Utilization	439,777
Balance as of December 31, 2023	**(1,127,391)**

21.Current tax assets and liabilities

The items "current tax assets" and "current tax liabilities", respectively amounting to, as of December 31, 2023, Euro 394 thousand and Euro 1,031 thousand (Euro 404 thousand and Euro 206 thousand as of December 31, 2022), refer entirely to amounts claimed from the Treasury for IRES and IRAP.

22.Other current and non-current assets

The item other current and non-current assets can be detailed as follows:

	As of December 31	
(in Euro)	**2023**	**2022**
Accrued income	3,491,655	2,387,046
VAT assets	2,739,683	1,736,378
Tax credits for capital expenditures	511,705	286,112
Research and development tax credits	1,231,335	1,574,502
Other	611,630	513,163
Total other current assets	**8,586,008**	**6,497,201**
Tax credits for capital expenditures	445,462	316,517
Tax credits for research and development	1,014,479	1,485,135
Other	1,931	4,623
Total other non-current assets	**1,461,872**	**1,806,275**

Other current assets, amounting to Euro 8,586 thousand, show an increase compared to the previous year by Euro 2,089 thousand, mainly due to the increase in VAT receivables (Euro 1,003 thousand) and accrued income (Euro 1,105 thousand). The increase is also due to the change in scope of consolidation following the acquisition of control of Diateam SaS (Euro 294 thousand).

Other non-current assets, amounting to Euro 1,462 thousand in total, show a decrease compared to the previous year of Euro 344 thousand, mainly attributable to the reduction in tax receivables for research and development (Euro 471 thousand), partially offset by the increase in tax receivables for capital expenditures (Euro 129 thousand).

It should also be noted that the items "Tax receivables for capital expenditures" and "Tax receivables for research and development" refer to tax credits recognized following a technical appraisal.

23.Cash and cash equivalents

As of December 31, 2023, cash and cash equivalents amount to Euro 17,561,190 (Euro 19,885,505 as of December 31, 2022) and are essentially made up of deposits in Euro at leading financial institutions.

24.Current and non-current financial assets

This item can be detailed as follows:

	As of December 31		As of December 31	
	2023		2022	
(in Euro)	**Current**	**Non-current**	**Current**	**Non-current**
Deposits	158,697	67,954	144,593	44,750
Derivative financial instruments	231,110	85,144	303,985	430,274
Policies on active contracts	26,492	-	26,492	-
Securities	800,000	-	-	-
Others	-	112	857,242	-
Total current and non-current financial assets	**1,216,299**	**153,210**	**1,332,312**	**475,024**

The item "derivative financial instruments" refers to hedging derivatives on interest rates subscribed to deal with the interest rate risk on financing contracts subscribed by the Parent Company and its subsidiaries; these instruments will expire in 2027.

The item "securities" refers to short-term investments of the subsidiary Diateam acquired during 2023.

25. Contract assets and liabilities

Contract assets include the net amount of activities carried out for amounts exceeding the payments on account received from customers. Similarly, contract liabilities accommodate the opposite case.

The net balance of contract assets is composed as follows:

	As of December 31	
(in Euro)	**2023**	**2022**
Gross contract assets	3,854,628	4,189,610
Contract liabilities	(241,000)	(545,450)
IFRS 9 impairment provision	(4,549)	(18,968)
Contract assets	**3,609,079**	**3,625,192**
Gross contract liabilities	(552,018)	(4,598,300)
Contract assets	52,844	16,021
Contract liabilities	**(499,174)**	**(4,582,279)**
Total net amount	**3,109,905**	**(957,087)**

The item "Contract liabilities", amounting to Euro 499 thousand, shows a decrease amounting to Euro 4,083 thousand, mainly attributable to the decrease in contract liabilities of the RCS Group. The decrease under comment is mainly due to the completion of a foreign *forensic intelligence* commission for which, as of December 31, 2022, advance payments amounted to 100% of the contractual value had been received.

26. Equity

Share capital

As of December 31, 2023 and 2022, the Company's share capital, fully subscribed and paid up, amounts to Euro 1,441,500.

Other reserves and retained earnings

The item "Reserves" can be detailed as follows:

(in Euro)	Reserve for treasury shares	Other Reserves	Retained earnings	Total Reserves
As of January 1, 2022	-	**(1,140,918)**	**6,228,486**	**5,087,568**
Actuarial losses on defined benefit plans	-	(515,585)	-	(515,585)
Fair value gains on cash flow hedges	-	558,039	-	558,039
Comprehensive income / (loss)	**-**	**42,454**	**-**	**42,454**
Allocation of previous year result	-	259,292	4,926,536	5,185,828
Capital increase transaction costs	-	(1,387,500)	-	(1,387,500)
Capital increase	-	-	(2,113)	(2,113)
As of December 31, 2022	**-**	**(2,226,672)**	**11,152,909**	**8,926,237**
Actuarial losses on defined benefit plans	-	(76,476)	-	(76,476)
Fair value losses on cash flow hedges	-	(317,689)	-	(317,689)
Comprehensive income / (loss)	**-**	**(394,165)**	**-**	**(394,165)**
Allocation of previous year result	-	-	2,209,462	2,209,462
Acquisition of treasury shares	(1,600,410)	-	-	(1,600,410)
Other changes	-	(79,572)	-	(79,572)
Share-based payments	-	211,295	-	211,295
As of December 31, 2023	**(1,600,410)**	**(2,489,114)**	**13,362,371**	**9,272,847**

Share-based payments

For further details on share-based payments, please refer to note 9.

27.Current and non-current financial and lease liabilities

The following table provides details of the item as of December 31, 2023 and 2022:

As of December 31, 2023 *(in Euro)*	Within 12 months	Between 1 and 5 years	Over 5 years	**Total**
Bank loans and borrowings	6,513,610	16,372,319	-	22,885,929
Other loans and borrowings	172,066	-	-	172,066
Lease liabilities	1,207,015	2,571,452	-	3,778,467
Put option on business combinations	1,666,391	4,074,006	-	5,740,397
Total	**9,559,082**	23,017,777	-	**32,576,859**

As of December 31, 2022 *(in Euro)*	Within 12 months	Between 1 and 5 years	Over 5 years	**Total**
Bank loans and borrowings	3,576,523	10,527,116	986,667	15,090,306
Other loans and borrowings	58,594	230,786	-	289,380
Lease liabilities	1,191,346	1,932,642	127,157	3,251,145
Total	**4,826,463**	**12,690,544**	**1,113,824**	**18,630,831**

The table below summarizes the information on bank loans and borrowings:

Lender	**Funding entity**	**Rate applied**	**Maturity date**	**Original principal amount**	**Carrying amount as of December 31, 2023**	**of which current**
"Bank pool" financing Line A	Credit Agricole, ICCREA	Euribor 6m + 200 bp	03/29/2028	12,500,000	10,154,528	1,700,991
"Bank pool" financing Acquisition/Capex Line	Credite Agricole, ICCREA	Euribor 6m + 200 bp	03/29/2028	5,555,052	5,555,052	1,041,572
Chirography Contract	BPER	Euribor 3m + 90 bp	10/25/2024	1,000,000	1,000,000	1,000,000
Intesa San Paolo Financing	Intesa San Paolo	Euribor 3m + 90 bp	06/25/2025	3,000,000	1,130,021	752,675
Unicredit Financing	Unicredit	Euribor 3m + 50 bp	12/31/2025	1,500,000	1,494,973	744,973
Intesa San Paolo Financing	Intesa San Paolo	Euribor 6m + 132 bp	11/30/2026	3,000,000	3,000,830	1,000,830
Banca Popolare di Sondrio Financing	Banca Popolare di Sondrio	1.04%	01/01/2024	1,500,000	125,015	125,015
Credit Mutuel Bretagne Financing	Credit Mutuel Bretagne	Euribor 3m + 1.15%	06/17/2029	550,000	278,421	62,618
Other	n.a.	n.a.	n.a.	n.a.	147,089	84,936
Total				**28,605,052**	**22,885,929**	**6,513,610**

Non-current financial liabilities mainly refer to:

- the portion beyond 12 months of the financing contract subscribed with Credit Agricole Italia S.p.A., leader of a pool of credit institutions, for a maximum total amount of Euro 45,000,000 (the "Financing Contract"), used as of December 31, 2023, for the sole share dedicated to the partial financing of the previous year's acquisition

of the RCS Group (Line A) amounting to a total of Euro 12,500,000 accounted for in the financial statements for an amount amounted to Euro 10,154,528. This amount takes into account the effect related to the application of the amortized cost criterion and the installments paid in 2023 based on the amortization plan provided for in the contract;
- the portion beyond 12 months of the financing contract described above, used as of December 31, 2023 for the share dedicated to the financing of the acquisition of Diateam SaS (Acquisition/Capex Line) amounting to a total of Euro 5,555,052;
- the portion beyond 12 months of the financial liability registered on the basis of the agreements *put* provided for by the acquisition contract of Diateam SaS exercisable by non-controlling interests, in application of the *anticipated acquisition method* adopted by the Group for this type of agreement, in the three-year period 2024-2026 in order to allow the parent CY4Gate S.p.A. to acquire 100% of the capital of Diateam.

The loan agreement subscribed with Credit Agricole Italia S.p.A., head of a pool of credit institutions, provides for the repayment of the principal amount by its due date in 11 semi-annual installments according to the contractual amortization schedule for Line A. Furthermore, CY4Gate will pay the interest accrued from time to time, for each interest period, on the amounts disbursed and not repaid, at an interest rate amounting to the EURIBOR 6M/360 rate plus a spread of 225 b.p. for which a derivative has been stipulated for 100% of the amount to cover the risk.

It is also noted that according to the loan agreement, the margin to be applied to the reference rate for each line of finance can vary semi-annually, either increasing or decreasing, depending on the change of the “Net Financial Indebtedness/EBITDA (NFI/EBITDA)” (“financial covenant”) ratio calculated based on the consolidated financial statements data or the consolidated half-year report, starting from a base ratio of 2x. The parent company has therefore committed to respecting the aforementioned financial parameter NFI/EBITDA, accepting that the lending banks and the agent bank may undertake the actions and remedies provided for in the contract, including, among other things, the repayment of amounts not yet paid and the related interest, in the event that the initial financial situation at a consolidated level does not comply with said parameter.
The compliance with the aforementioned financial parameter will be verified every six months on a "rolling" basis (i.e., with reference to the data for the previous twelve months), starting from that relating to the year ended December 31, 2022. The covenant was complied with as of December 31, 2023.
In addition, it should be noted that such a loan agreement provides certain limitations on the distribution of profits and/or dividends to the parent company, in particular, the parent company will not be able to proceed with the distribution of profits and/or dividends, nor payments of any amount under any title and in any form to its shareholders, except for payments under commercial contracts and/or subordinate employment relations (including, for example, as capital payment, interest or other utilities on shareholders' loans also in bond form, or as consideration for services rendered and/or management fees) (each operation, a "Distribution"), if not subject to the occurrence of all the following conditions:
- the first Distribution is subsequent to the approval of the Issuer's financial statements as of December 31, 2022;
- for the duration of the Loan Agreement, each Distribution does not exceed 50% (fifty percent) of the profits resulting from the Issuer's financial statements for the year immediately preceding the one in which the relevant Distribution is to be made;
- at the date of the Distribution there is no Relevant Event and such Distribution does not in itself determine a Relevant Event (as defined in the Loan Agreement).

The remaining part of the loan, currently not used, provides for the possibility of activating the following lines of credit:
- Acquisition/Capex medium-long term, usable for cash, up to a maximum of Euro 25,000,000 (the "Acquisition/Capex Line") for future investments and M&A operations;
- Revolving medium-long term, usable for revolving type cash, up to a maximum of Euro 7,500,000 (the "Revolving Line") aimed at financing the cash needs related to the Treasury needs of the Group.

Furthermore, the item includes the financial liabilities of the RCS Group (Euro 5,750,839), related to financing contracts in place with the Credit Institutes Intesa Sanpaolo, Unicredit and Banca Popolare di Sondrio, as well as the financial liabilities of Diateam related to a loan contract in place with Credit Mutuel Bretagne.
It should also be noted that in relation to the financing of the RCS Group and Diateam, there are no financial covenants.

Net financial indebtedness

The following table illustrates the detail of the Group's Net Financial Position, with the analysis of debt and credit positions towards related parties, highlighting the net financial indebtedness determined according to Consob communication n. DEM/6064293 of July 28, 2006 and the Warning n. 5/21 issued by Consob on April 29, 2021 with reference to ESMA Guidance 32-382-1138 of March 4, 2021.

	As of December 31			
(in Euro)	**2023**	***of which towards related parties***	**2022**	***of which towards related parties***
A. Cash	(17,561,190)		(19,885,505)	
B. Cash equivalents	-		-	
C. Other current financial assets	(985,189)		(1,028,328)	
D. Liquidity (A+B+C)	**(18,546,379)**		**(20,913,833)**	
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	1,297,081	*244,994*	1,323,625	*233,171*
F. Current portion of non-current financial debt	8,030,891		3,198,853	
G. Current financial indebtedness (E+F)	**9,327,972**	***244,994***	**4,522,478**	***233,171***
H. Net current financial indebtedness (G+D)	**(9,218,407)**	***244,994***	**(16,391,355)**	***233,171***
I. Non-current financial debt (excluding current portion and debt instruments)	22,932,633	*729,795*	13,374,094	*964,971*
J. Debt instruments	-		-	
K. Non-current trade and other payables	-		-	
L. Non-current net financial indebtedness (I+J+K)	**22,932,633**	***729,795***	**13,374,094**	**964,971**
M. Total financial indebtedness (H+L)	**13,714,226**	**974,789**	**(3,017,261)**	**1,198,142**
N. Non-current financial assets	(68,066)	*(19,000)*	(44,750)	*(6,000)*
Net Financial Indebtedness (M+N)	**13,646,160**	**955,789**	**(3,062,011)**	**1,192,142**

The item "C. Other current financial assets" includes the item in the consolidated financial statements as of December 31, 2023 of current financial assets (Euro 1,216 thousand) excluding derivative financial instruments classified in this item (Euro 231 thousand).

The item "E. Current financial debt" includes the current portion of the items in the consolidated financial statements as of December 31, 2023 related to loans (Euro 1,125 thousand) and other loans and borrowings (Euro 172 thousand).

The item "F. Current portion of non-current financial debt" includes the current portion of the item in the consolidated financial statements as of December 31, 2023 related to debts for loans (Euro 5,389 thousand) and the liability connected to the put option on business combinations (Euro 1,666 thousand), the current portion of the item in the consolidated financial statements as of December 31, 2023 related to current lease liabilities (Euro 1,207 thousand), as well as the current portion of financial derivative assets (Euro 231 thousand).

The item "I. Non-current financial debt" includes the items in the consolidated financial statements as of December 31, 2023 related to non-current financial liabilities related to debts for loans (Euro 16,372 thousand), the non-current portion of the financial liability related to the put agreements included in the acquisition contract of the subsidiary

Diateam (Euro 4,074 thousand), non-current lease liabilities (Euro 2,571 thousand), as well as the non-current portion of financial derivative assets (Euro 85 thousand).

The item "N. Non-current financial assets" corresponds to the consolidated item in the Statement of Financial Position as of December 31, 2023 related to non-current financial assets (Euro 153 thousand), excluding derivative financial instruments classified in this item (Euro 85 thousand).

Lease liabilities

The item "lease liabilities" can be detailed as follows:

	As of December 31,	
(in Euro)	**2023**	**2022**
Buildings	2,316,448	1,989,064
Hardware	785,947	853,434
Vehicles	676,072	408,646
Total	**3,778,467**	**3,251,144**

The item "lease liabilities", amounting in total to Euro 3,778 thousand, refers to the *lease liabilities* recorded as a counterpart to the recognition of the right-of-use assets, for the existing lease contracts for the buildings in which the Group's offices are located, for hardware and cars.

The increase in the item is mainly attributable:

- to the change in scope of consolidation for Euro 374 thousand following the acquisition of control of Diateam as of January 1, 2023, as further described in the note "Business combinations" and
- to the payment of the installments made during 2023 of the lease contracts subscribed by the Group.

28. Employee benefits

The item includes the provision for post-employment benefits (TFR) for Group employees.

TFR

The movement of the item can be detailed as follows:

(in Euro)	2023	2022
Balance as of January 1	**2,894,479**	**326,481**
Change in scope of consolidation	-	1,707,855
Transfers to Pension Funds / Treasury / Taxation	(11,266)	-
Service costs	802,683	599,620
Interest expense	108,494	21,597
Uses for indemnities paid and advances	(313,632)	(447,652)
Actuarial gains	100,626	686,579
Balance as of December 31	**3,581,384**	**2,894,479**

The actuarial assumptions for the calculation purposes of the defined benefit pension plans are detailed in the following table:

	As of December 31, 2023	As of December 31, 2022
Economic assumptions		
Inflation rate	2.25%	2.70%
Discount rate	3.12%	3.65%
Salary growth rate	2.25%	2.70%

Demographic assumptions are based on actuarial expectations, in accordance with relevant and published industry statistical data, applied on the average of the personnel in service during the periods.

The following is a sensitivity analysis related to defined benefit pension plans based on changes in the main assumptions as of December 31, 2023 and 2022:

As of December 31, 2023 *(in Euro)*	**Changes in assumptions**	**Impact on liability**	
		increase in assumptions	**decrease in assumptions**
Economic assumptions			
Inflation rate	0.50%	59,937	(40,046)
Discount rate	0.50%	(106,708)	134,166
Salary growth rate	0.50%	50,869	(29,298)

As of December 31, 2022 *(in Euro)*	**Changes in assumptions**	**Impact on liability**	
		increase in assumptions	**decrease in assumptions**
Economic assumptions			
Inflation rate	0.50%	35,192	(37,422)
Discount rate	0.50%	(84,291)	87,048
Salary growth rate	0.50%	27,356	(28,464)

The *sensitivity* reported above is conducted based on changes in individual assumptions, keeping the others unchanged, although in practice any changes in an assumption can generally also reflect in the others due to potential correlations. The *sensitivity* presented above was calculated using the same methodology (*projected unit credit method*) used to define the liability recognized in the Statement of Financial Position.

Through its defined benefit pension plans, the Group is exposed to certain risks, the most significant of which are described below.

Discount rate and inflation risk

The present value of defined benefit pension plans is calculated using a discount rate determined using the rate of *high quality corporate bond*. A decrease in the discount rate would result in an increase in liability. A decrease in the inflation rate would result in a decrease in the liability.

Employee resignation and anticipation probability

The present value of defined benefit pension plans is calculated using the best estimate of resignations and advances. An increase in the rate of resignations and advances would result in an increase in the liability.

29. Provisions for risk and charges

The movement of the items can be detailed as follows:

(in Euro)	Product guarantee provision	Total
As of January 1, 2022	**300,745**	**300,745**
Accruals	122,111	122,111
Utilization	(300,745)	(300,745)
As of December 31, 2022	**122,111**	**122,111**
Accruals	78,660	78,660
Utilization	(122,111)	(122,111)
As of December 31, 2023	**78,660**	**78,660**

The item amounting to Euro 79 thousand as of December 31, 2023 (Euro 122 thousand as of December 31, 2022) is entirely related to product guarantee provision, mainly connected to the sale of licenses for which a legal warranty and/or a warranty of good operation is provided.

30. Deferred tax assets and liabilities

The net movement of this item can be detailed as follows:

(in Euro)	2023	2022
Balance as of January 1	**(103,420)**	**716,697**
Of which:		
- deferred tax assets	*2,833,918*	*716,697*
- deferred tax liabilities	*(2,937,338)*	*-*
Change in scope of consolidation	(749,959)	(3,593,518)
Effect on profit or loss	2,212,093	2,761,959
Effect on comprehensive income	(124,365)	11,443
Balance as of December 31	**1,234,349**	**(103,419)**
Of which:		
- deferred tax assets	*3,518,420*	*2,833,917*
- deferred tax liabilities	*(2,284,071)*	*(2,937,336)*

The item "Deferred tax assets" mainly refers to tax losses, to the economic benefit of the unused ACE during the year, to temporary differences identified in determining the tax burden of the year and previous years. It is specified that when recognizing deferred taxes, the Directors verify their full recoverability based on the future taxable income that the Group will be able to achieve in the coming years.

The item "Deferred tax liabilities" is mainly related to the recognition of deferred taxation on the capital gains allocated as part of the price paid for the acquisition of the RCS Group, during 2022, and of Diateam SaS, during 2023, as more fully described in the note "Business Combinations".

31.Trade payables

This item can be detailed as follows:

	As of December 31,	
(in Euro)	**2023**	**2022**
Payables to suppliers	13,511,013	9,876,475
Payables to parent companies	845,685	694,810
Total	**14,377,973**	**10,571,285**

Trade payables are recorded for an amount of Euro 14,374 thousand and show an increase compared to the previous year for Euro 3,807 thousand, mainly due to the increase in payables to suppliers. Payables to parent companies relate to services provided by the parent company Elettronica S.p.A. mainly for canteen services and for ancillary services to the rental of the property in office use by the company CY4Gate S.p.A.

The geographical breakdown of trade payables is reported below:

	As of December 31	
(in Euro)	**2023**	**2022**
Italy	11,710,350	8,609,937
Outside Italy	2,667,623	1,961,348
Total	**14,377,973**	**10,571,285**

32.Other current and non-current liabilities

This item in can be detailed as follows:

	As of December 31	
(in Euro)	**2023**	**2022**
Accrued expenses and deferred income	447,636	242,665
Total other non-current liabilities	**447,636**	**242,665**
Accrued expenses and deferred income	3,768,722	3,579,144
Other liabilities	2,940,022	1,809,663
Employees	3,328,463	2,367,249
Social security and welfare institutions	1,352,579	1,099,042
Tax Authorities for VAT	1,022,855	279,681
Tax Authorities for IRPEF	120,117	44,372
Advances on grants	313,176	342,994
Total other current liabilities	**12,845,934**	**9,522,145**

The item “Other current liabilities” amounts to Euro 12,846 thousand and shows an increase compared to the previous year of Euro 3,324 thousand. The increase is mainly due to the following movements:

- Changes in scope of consolidation for Euro 891 thousand following the acquisition of control of Diateam SaS from January 1, 2023;
- Increase in VAT for Euro 743 thousand;

- Increase in other liabilities for Euro 1,130 thousand, mainly attributable to factoring and to the acquisition of Diateam S.a.S.

33.Other Information

Guarantees

As of December 31, 2023, the following guarantees were given by the Group:

- guarantees (advance bond) issued by Creval in September 2018 for Euro 70,000 relating to a contract towards an end user in a Middle Eastern country;
- guarantees (bid bond) issued by Creval in October 2021 for Euro 30,000 for participation in a tender in a Middle Eastern country;
- guarantees issued by Credit Institutions on behalf of the subsidiary RCS ETM Sicurezza for Euro 165,000, of which Euro 135,000 relating to a foreign order and Euro 30,000 as a security deposit for a leased property;
- guarantees, referred to the SME Guarantee Fund, issued by Mediocredito Centrale for an amount of Euro 1,017,018 issued in relation to loans obtained by the subsidiary RCS in previous years.

The following describes the pledges on social participations established (or to be established) under the Loan Agreement subscribed on March 29, 2022 between CY4Gate S.p.A. and RCS ETM Sicurezza S.p.A., following its adherence to the agreement, and a pool of lending banks led by Crédit Agricole Italia S.p.A.

- RCS Group: on March 29, 2022, CY4Gate S.p.A., in its capacity as grantor, pledged in favor of Crédit Agricole Italia S.p.A., Creval S.p.A., ICCREA Banca S.p.A., Banca di Credito Cooperativo di Milano – Soc. Coop. (the "Lending Banks"), 100% of the share capital of Aurora S.p.A. as a guarantee of the correct, full and timely fulfillment of all present and/or future monetary obligations of CY4Gate S.p.A. and RCS ETM Sicurezza S.p.A. towards the Lending Banks, arising from any title from the loan agreement subscribed on March 29, 2022 between CY4Gate S.p.A. and RCS ETM Sicurezza S.p.A. and the Lending Banks. It is noted that this pledge has converged in RCS following the reverse merger completed on November 15, 2022;
- RCS ETM Sicurezza pledge: on March 29, 2022, Aurora S.p.A., as grantor, pledged in favor of Crédit Agricole Italia S.p.A., Creval S.p.A., ICCREA Banca S.p.A., Banca di Credito Cooperativo di Milano – Soc. Coop. (the “Lending Banks”), 100% of the share capital of RCS ETM Sicurezza S.p.A., as a guarantee of the correct, full and timely fulfillment of the monetary obligations (within the limits expressly provided for in the relevant pledge deed) of CY4Gate S.p.A. and RCS ETM Sicurezza S.p.A. towards the Lending Banks arising from any title from the loan agreement subscribed on March 29, 2022 between CY4Gate S.p.A. and RCS ETM Sicurezza S.p.A. and the Lending Banks;

Seasonality of the business

The business in which the Group operates is characterized by a marked concentration of deliveries and cash flow from customers in the last three months of the year. This aspect of collections affects both inter-annual cash flows and the variability of the Group's debt situation in different periods of 2023, characterized by substantial improvements in the last few months of the calendar year.

Judicial and arbitration proceedings

As of the date of these consolidated financial statements, the Group is not a party to significant administrative, judicial or arbitration proceedings that may have or have had significant repercussions on the financial situation or profitability of the Company and/or the Group in the recent past. For the sake of completeness, it should be noted that during the first half of 2021, the Public Prosecutors' Offices of Naples and Florence opened investigations against the members of the Board of Directors of RCS at the time of the disputed events and the then technical engineer in charge of the subsidiary. These investigations, which are pending at the date of the financial statements, refer to the active electronic interception activity carried out on behalf of the Prosecutor's Office of Perugia by the subsidiary RCS and, in particular, concern the storage of the data captured on a transit server located in Naples and owned by the subsidiary RCS, before their final transfer to another server in use by the competent Prosecutor's Office located in Rome. As of the date of these financial statements, the investigations are still ongoing and none of the Group's companies have been served with notice of guarantee pursuant to art. 57 of Legislative Decree 231. The Directors of the parent company and the subsidiary RCS, also based on the evaluations received from the external lawyers who follow the dispute, have assessed as remote the risk that potential liabilities may arise from these investigations for the subsidiary and the Group.

Fees of the directors and statutory auditors

The following table presents the fees of the Directors and Statutory Auditors of the Group for the years ended December 31, 2023 and 2022:

	Year ended December 31	
(in Euro)	**2023**	**2022**
Directors' fees	513,292	262,410
Statutory auditors' fees	95,930	52,000
Total	**609,222**	**314,410**

Fees of the independent auditor

Below, as required by art. 149-duodecies of the Implementation Regulation of Legislative Decree of February 24, 1998, no. 58 ("Consob Issuers Regulation"), the details of the fees to the Independent Auditor and the entities belonging to its network are reported. The fees presented in the table, for the year 2023, are those contracted, including any indexations (excluding out-of-pocket expenses and VAT).

(in thousands of Euro)		**Fees**
Type of services	**Entity that provided the service**	**2023**
CY4Gate S.p.A.		
Audit	KPMG S.p.A.	104
Attestation services (*)	KPMG S.p.A.	168
Other services	KPMG S.p.A.	15
Total CY4Gate S.p.A.		**284**
Subsidiaries		
Auditing	KPMG S.p.A.	99
Attestation services (*)	KPMG S.p.A.	21
Other services	KPMG S.p.A.	-
Total subsidiaries		**120**
Total		**404**

(*) The "certification services" refer to (i) Comfort letter in relation to the translisting on the market; (ii) review of the 2023 Sustainability Report, (iii) audit of the Prospectus of the Costs incurred for research and development activities and (iv) subscription of tax declarations.

Transactions with Related Parties

The relationships maintained by the Group with related parties are both commercial and financial in nature. The Group believes that all relationships with related parties are regulated at market conditions.

(in Euro)	Parent	**Total related parties**	**Total in financial statements**	**Impact (%)**
Impact of transactions on profit or loss				
Revenues and other income				
Year ended December 31, 2023	3.837.560	**3,837,560**	68,264,318	**6%**
Year ended December 31, 2022	3.368.827	**3,368,827**	56,645,310	**6%**
Services				
Year ended December 31, 2023	555.751	**555,751**	25,250,376	**2%**
Year ended December 31, 2022	661.844	**661,844**	19,635,879	**3%**
Impact of transactions on the Statement of Financial Position				
Other non-current assets				
As of December 31, 2023	19.000	**19,000**	1,461,872	**1%**
As of December 31, 2022	6.000	**6,000**	1,806,275	**0%**
Trade receivables				
As of December 31,2023	5.727.691	**5,727,691**	53,651,186	**11%**
As of December 31, 2022	5.524.590	**5,524,590**	64,488,220	**9%**
Right-of-use assets				
As of December 31, 2023	958.502	**958,502**	3,646,191	**26%**
As of December 31,2022	-	**-**	3,192,760	**-**
Contract assets				
As of December 31,2023	1.748.572	**1,748,572**	8,586,008	**20%**
As of December 31,2022	1.295.339	**1,295,339**	6,497,201	**20%**
Lease liabilities				
As of December 31,2023	974.790	**974,790**	3,778,467	**26%**
As of December 31, 2022	1.198.142	**1,198,142**	3,251,144	**37%**
Trade payables				
As of December 31, 2023	485.727	**485,727**	14,377,973	**3%**
As of December 31, 2022	694.810	**694,810**	10,571,285	**7%**
Contract liabilities				
As of December 31, 2023	182.823	**182,823**	499,174	**37%**
As of December 31, 2022	165.279	**165,279**	4,582,279	**4%**

Non-recurring, atypical and/or unusual significant events and operations

During 2023, no significant non-recurring, atypical or unusual operations were carried out, either with third parties or with related parties. In the year under review, additionally, no further significant non-recurring events occurred.

Impacts resulting from the macroeconomic situation

In the preparation of these Consolidated Financial Statements as of and for the year ended December 31, 2023, in accordance with IFRS and the recent recalls of the financial market supervisory authorities, the Group has assessed the impact of the Russian invasion of Ukraine and the War in the Middle East on the financial position, performance and cash flows. As of the date of these Consolidated Financial Statements, the Group is constantly monitoring the developments of these conflicts for the identification of further risks. At present, it is considered that there are no significant impacts on the Group's resources and business.

Supervisory priorities for the 2023 financial reporting contained in the ESMA European Common enforcement priorities document

On October 25, 2023, ESMA published the supervisory priorities for the 2023 financial reporting. These priorities concern:

- *Climate Related Matters:* In this regard, it is specified that considering the type of business of the Group, significant impacts on the estimation and measurement processes used by the Directors for the preparation of the consolidated financial statements described in the paragraph "Use of Estimates" of these notes are not detected;
- *Refinancing and other financial risks*: in this regard, reference is made to what is reported in the paragraph "Risk management" of these notes.
- *Fair-value measurement and disclosure:* in this regard, reference is made to what is reported in the paragraph "Measurement of Fair Value" of these notes.

Information on public grants ex Law no. 124/2017

With reference to the transparency obligations required by art. 1 paragraphs from 125 to 129 of the L. 124/2017, it is noted that during 2023, the CY4Gate Group did not receive any government grants pursuant to the aforementioned law.

34.Subsequent events

In January 2024, CY4Gate completed, in partnership with Alfa Group S.p.A., the acquisition of 97.8% of the share capital of IKS TN, an Italian cyber security company, operating in the field of information security and a leader in combating digital fraud with a significant footprint in banking and also present in the gambling and automotive market. The Group acquired 77.8% of the share capital of IKS TN, while Alfa Group S.p.A. acquired 20%, and the remaining 2.2% share owned by Management. The total consideration for the operation amounted to Euro 12.7 million. As of the date of these Consolidated Financial Statements, 80% of the total consideration has been paid, 69.7% by CY4Gate while 10.3% by Alfa Group. The remaining 20% will be paid by June 30, 2027. With reference to the amount of 20%, it is understood that it may decrease up to a maximum of 20% based on the results of IKS TN as of December 31, 2026.

In the early months of 2024, the Group, within the framework of the treasury shares purchase program announced to the market on April 27, 2023 and initiated on August 8, 2023, announces that it has purchased on the Euronext Milan Market - STAR Segment in the period between February 1, 2024 and February 27, 2024 inclusive, a total of n. 194,740 treasury shares (corresponding to approximately 0.83% of the share capital), at an average price of around Euros 6.31 and for a total amount of Euro 1,229,755.39. Following these operations, the Group announces that on February 27, 2024 this program of treasury shares repurchase ended.

Rome, March 14, 2024

On behalf of the Board of Directors

(Emanuele Galtieri)

This report has been translated into the English language solely for the convenience of international readers

Statement pursuant to article 154-bis, 2nd paragraph, of the legislative decree of February 24, 1998, no. 58, "Italian Consolidated Law on Financial Intermediation", and subsequent amendments

(Translation from the original Italian text)

1. The undersigned Emanuele Galtieri and Marco Latini, respectively Chief Executive Officer and Executive Responsible for Financial Reporting of Cy4Gate S.p.A. certify, also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of the legislative decree of February 24, 1998, no. 58:

- the adequacy in relation to the characteristics of the company (also considering any changes occurred during 2023) and
- the effective application of administrative and accounting procedures for the preparation of the consolidated financial statements as of and for the year ended December 31, 2023.

2. From the application of the administrative and accounting procedures for the preparation of the consolidated financial statements as of and for the year ended December 31, 2023, no significant issue emerged.

3. It is also certified that:

3.1 the financial statements as of and for the year ended December 31, 2023:

a) are prepared in compliance with the applicable International Accounting Standards recognized in the European Community under Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002;
b) are consistent with the underlying accounting books and records;
c) provide a true and correct view of the operating result and financial position of the issuer and of all the companies included in the consolidation.

3.2 The Management Report includes a reliable analysis of the performance and the result of operations, as well as the situation of the issuer and of all the companies included in the consolidation, together with a description of the main risks and uncertainties they are exposed to.

Rome, March 14, 2024

Chief Executive Officer	Executive Responsible for the Financial Reporting

KPMG S.p.A.
Revisione e organizzazione contabile
Via Curtatone, 3
00185 ROMA RM
Telefono +39 06 80961.1
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(The accompanying translated consolidated financial statements of the CY4Gate Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
CY4Gate S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the CY4Gate Group (the "group"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the CY4Gate Group as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of CY4Gate S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allocation of the consideration paid for business combinations

Notes to the consolidated financial statements: notes 2.2 "Scope of consolidation", 4 "Estimates and assumptions" and 5 "Business combinations"

Key audit matter	Audit procedures addressing the key audit matter
During 2023, in accordance with IFRS 3 Business combinations, the group completed the recognition of the fair value of the assets acquired and liabilities assumed with the acquisition of control over Diateam SAS. Assisted by an external expert, the group measured the fair value of the assets acquired and liabilities assumed using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: • the expected cash flows, calculated by taking into account the acquiree's performance and that of its sector, the actual cash flows for recent years and the projected growth rates; • the financial parameters used to calculate the discount rate. For the above reasons, we believe that the allocation of the consideration paid for the above acquisition is a key audit matter.	Our audit procedures included: • analysing the contract documents relating to the acquisition of control over Diateam SAS; • understanding the process adopted to allocate the consideration paid for the acquisition of Diateam SAS; • analysing the reports prepared by the external expert engaged by the group to measure the fair value of the assets acquired and liabilities assumed with the acquisition of Diateam SAS; • involving experts of the KPMG network in the assessment of the reasonableness of the valuation methods and application parameters used to measure the fair value of the net assets acquired; • checking the accounting entries made by the group in connection with the purchase price allocation procedure; • assessing the appropriateness of the disclosures provided in the notes about the allocation of the consideration paid for the acquisition of control over Diateam SAS.

Recoverability of goodwill and intangible assets

Notes to the consolidated financial statements: notes 2.4 "Valuation criteria - Intangible assets", 4 "Estimates and assumptions", 15 "Goodwill" and 16 "Intangible assets"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2023 include goodwill of €42,080 and intangible assets with a finite useful life of €34,349 thousand under the caption "Intangible assets and goodwill". Assisted by an external expert, the directors tested the cash-generating units (CGUs) to which goodwill and intangible assets with a finite useful life are allocated for impairment, in order to identify any impairment losses compared to their recoverable amount. They estimated the recoverable amount based on value in use, calculated using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: • the CGUs' expected cash flows, calculated by taking into account the general economic performance and that of their sector, the actual cash flows for recent years and the projected growth rates;	Our audit procedures included: • understanding the process adopted for impairment testing approved by the parent's board of directors; • analysing the criteria used to identify the CGU and tracing the amount of the CGU assets and liabilities to the relevant carrying amounts in the consolidated financial statements; • understanding the process adopted for preparing the 2024-2028 business plan approved by the parent's board of directors (the "2024-2028 plan") from which the expected cash flows used for impairment testing have been derived; • analysing the reasonableness of the assumptions used by the directors and the external expert to prepare the impairment test; • analysing the most significant discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors;

Key audit matter	Audit procedures addressing the key audit matter
• the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of goodwill and intangible assets with a finite useful life is a key audit matter.	• comparing the expected cash flows used for impairment testing to the cash flows forecast in the 2024-2028 plan and analysing any discrepancies; • involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; • assessing the appropriateness of the disclosures provided in the notes about goodwill and intangible assets with a finite useful life and related impairment tests.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 27 April 2023, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2023 to 31 December 2031.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2023 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 28 March 2024

KPMG S.p.A.

(signed on the original)

Marco Mele
Director of Audit

SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2022

Financial Statements as of and for the year ended December 31, 2023

CY4Gate S.p.A.
Headquarters in VIA COPONIA, 8
00131 ROME
Company registration no. 13129151000 - Rea no. 1426295

Statement of profit and loss

(in Euro)	Note	For the year ended December 31 2023	*including to related parties:*	2022	*including to related parties:*
Revenues	5	16,875,004	*7,487,560*	25,095,873	7,891,210
Other revenues and income	6	732,886	*16,384*	1,664,321	-
Purchases, services and personnel expenses	7	(19,662,736)	*(1,391,205)*	(16,171,627)	(661,844)
Depreciation and amortization	8/12/13	(7,725,897)	-	(6,211,963)	-
Net impairment losses on financial assets	17	(47,627)	-	(303,538)	-
Accrual to provision for risks and charges	25	(78,660)	-	(122,111)	
Other operating costs	9	(125,444)	-	(162,373)	-
Operating profit (loss)		**(10,032,474)**	*6,112,739*	**3,788,582**	**7,229,366**
Financial income	10	295,414	*3,465*	680	-
Financial expense	10	(1,561,834)	-	(777,604)	-
Profit/(loss) before tax		**(11,298,894)**	*6,116,204*	**3,011,658**	**7,229,366**
Income taxes	11	194,746	-	1,516,430	-
Profit/(loss) for the year		**(11,104,148)**	***6,116,204***	**4,528,088**	**7,229,366**

Statement of Comprehensive Income

(in Euro)	Note	For the year ended December 31 2023	2022
Profit/(loss) for the year		**(11,104,148)**	**4,528,088**
Net actuarial gains (losses) on defined benefit plans	24	(54,691)	61,392
Items that will not be reclassified subsequently to profit or loss		**(54,691)**	**61,392**
Net fair value gain/(losses) on cash flow hedges		(262,299)	(476,022)
Items that may be reclassified subsequently to profit or loss		**(262,299)**	**(476,022)**
Comprehensive income/(loss)		**(11,421,138)**	**4,113,458**

Statement of Financial Position

(in Euro)	Note	As of December 31			
		2023	*of which to related parties:*	2022	*of which to related parties:*
Intangible assets	12	16,102,247	-	14,375,191	-
Property, plant and equipment	13	1,011,252	-	1,138,344	-
Right-of-use assets	14	1,197,638	*958,502*	1,388,827	-
Non-current financial assets	20	168,276	*19,000*	451,274	*6,000*
Equity investments	15	81,859,590	-	76,162,412	-
Deferred tax assets	26	2,450,489	-	2,238,472	-
Other non-current assets	18	622,931	-	688,280	-
Total non-current assets		**103,412,423**	**977,502**	**96,442,800**	***6,000***
Inventories	16	-	-	33,250	-
Contract assets	21	3,609,080	*1,748,572*	2,678,527	*1,295,339*
Trade receivables	17	33,022,568	*11,259,760*	33,548,360	*9,559,843*
Current tax assets		8,650	-	-	
Other current assets	18	2,395,810	-	2,736,445	-
Current financial assets	20	196,071	-	1,053,314	-
Cash and cash equivalents	19	2,579,157	-	10,767,274	-
Total current assets		**41,811,336**	**13,008,332**	**50,817,170**	**10,855,182**
Total assets		**145,223,759**	**13,985,834**	**147,259,970**	**10,861,182**
Share capital		1,441,500	-	1,441,500	-
Share premium reserve		108,539,944	-	108,539,944	-
Reserves	22	12,130,939	-	9,300,529	-
Profit/(loss) for the year	22	(11,104,148)	-	4,528,088	-
Total equity		**111,008,235**	**-**	**123,810,061**	**-**
Employee benefits - non-current	24	737,944	-	513,224	-
Other non-current liabilities	28	447,636	-	242,664	-
Non-current financial liabilities	23	12,967,017	-	10,104,841	-
Non-current lease liabilities	23	864,750	*729,725*	1,061,686	*964,971*
Deferred tax liabilities	26	67,492	-	150,323	-
Total non-current liabilities		**15,084,839**	**729,725**	**12,072,738**	**964,971**
Provisions for risk and charges	25	78,660	-	122,111	-
Trade payables	27	10,302,113	*1,683,600*	7,084,179	*938,553*
Current financial liabilities	23	3,788,798	-	1,195,652	-
Current lease liabilities	23	349,159	*244,994*	327,401	*233,171*
Contract liabilities	21	375,174	*182,823*	388,279	*165,279*
Current tax liabilities		8,650	-	-	
Other current liabilities	28	4,228,131	-	2,259,549	-
Total current liabilities		**19,130,685**	**2,111,417**	**11,377,171**	**1,337,003**
Total liabilities		**34,215,524**	**2,841,142**	**23,449,909**	**2,301,974**
Total equity and liabilities		**145,223,759**	**2,841,142**	**147,259,970**	**2,301,974**

Statement of Cash Flows

(in Euro)	Note	For the year ended December 31 2023	2022
Profit/(loss) before tax		**(11,298,894)**	**3,011,658**
Adjustments for:			
Amortization and depreciation	8/12/13	7,725,897	6,211,963
Impairment losses	17	47,627	303,538
Expenses for employee share-based incentives	24	145,559	-
Accruals to provision for risks and charges	25	78,660	122,111
Net interest expense		1,266,420	776,924
Other non-cash items		248,171	220,110
Cash flows from operating activities before changes in net working capital		**(1,786,560)**	**10,646,304**
Change in inventories	16	33,250	33,250
Change in trade receivables	17	478,165	(10,266,293)
Change in trade payables	27	3,217,934	2,753,521
Change in other assets/liabilities	18/28	1,358,453	(817,109)
Payment of employee benefits	24	(104,750)	(387,510)
Interest paid		(1,050,206)	(514,727)
Income tax paid		-	(96,381)
Net cash flows from operating activities		**2,146,286**	**1,351,055**
Equity investments	15	(5,631,442)	(79,519,655)
Net investments in intangible assets	12	(8,705,184)	(9,895,447)
Net investment in property, plant and equipment	13	(263,479)	(756,144)
Net cash flows from investing activities		**(14,600,105)**	**(90,171,246)**
Capital increase		-	88,612,500
Acquisition of treasury shares		(1,600,412)	-
Net utilisations of credit facilities	23	3,203,361	9,294,616
Changes in financial assets	20	751,979	-
Changes in other financial liabilities	23	2,251,960	(617,509)
Repayment of lease liabilities	23	(341,186)	-
Net cash flows from financing activities		**4,265,702**	**97,289,607**
Total change in cash and cash equivalents		**(8,188,117)**	**8,469,416**
Cash and cash equivalents at the beginning of the year	19	10,767,274	2,297,858
Exchange rate effect on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	**19**	**2,579,157**	**10,767,274**

Statement of Changes in Equity

(in Euro)	Note	Share capital	Share premium	Other reserves	Profit/(loss) for the year	Total equity
As of January 1, 2022		**481,500**	**19,499,944**	**5,087,568**	**5,185,828**	**30,254,840**
Profit for the year		-	-	-	4,528,088	4,528,088
Actuarial losses on defined benefit plans		-	-	(61,389)	-	(61,389)
Fair value gains on cash flow hedges		-	-	476,022	-	476,022
Comprehensive income / (loss)		**-**	**-**	**414,633**	**4,528,088**	**4,942,721**
Allocation of previous year result		-	-	5,185,828	(5,185,828)	-
Capital increase		960,000	89,040,000	-	-	90,000,000
Capital increase transaction costs		-	-	(1,387,500)	-	(1,387,500)
As of December 31, 2022		**1,441,500**	**108,539,944**	**9,300,529**	**4,528,088**	**123,810,061**
Loss for the year		-	-	-	(11,104,148)	(11,104,148)
Actuarial losses on defined benefit plans		-	-	(54,691)	-	(54,691)
Fair value losses on cash flow hedges		-	-	(262,299)	-	(262,299)
Comprehensive income / (loss) for the year		**-**	**-**	**(316,990)**	**(11,104,148)**	**(11,421,138)**
Allocation of previous year result		-	-	4,528,088	(4,528,088)	-
Acquisition of treasury shares		-	-	(1,600,412)	-	(1,600,412)
Share-based payments		-	-	211,295	-	211,295
Other changes		-	-	8,429		8,429
As of December 31, 2023		**1,441,500**	**108,539,944**	**12,130,939**	**(11,104,148)**	**111,008,235**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Notes to the Financial Statements

1. General Information

CY4Gate S.p.A. (hereinafter "**CY4Gate**" or the "**Company**") is a company established and domiciled in Italy, with registered office in Rome (RM), at Via Coponia, 8 and organized under the legal system of the Italian Republic. The Company is primarily active in the design, development and production of technologies, products, systems and services for the Armed Forces, Law Enforcement Agencies and Italian and foreign companies. From June 26, 2023, the shares of CY4gate S.p.A. are traded in the Euronext STAR Milan market segment of the Italian Stock Exchange (from 2020 and until the aforementioned date they were traded in the Euronext Growth Milan market segment).

The Company is controlled by Elettronica S.p.A., with registered office in Rome, which prepares the consolidated financial statements of the largest group of companies to which the Company belongs. In compliance with point 22-quinquies of art. 2475 of the Civil Code, it is communicated that a copy of the consolidated financial statements is kept at the headquarters of the parent company in Via Tiburtina Km 13,700.

As of the date of preparation of these financial statements, the Company is not subject to direction and coordination of any of its shareholders, as the Board of Directors of the Company assumes in full and complete autonomy and independence the most appropriate decision relating to the management of the Company's activities.

Authorization for publication

These financial statements were approved and authorized for publication by the Board of Directors of CY4Gate S.p.A. on March 14, 2024, and are subject to audit by KPMG S.p.A.

The publication of these financial statements is carried out in accordance with the Delegated Regulation of the European Commission 2019/815 and subsequent amendments.

2. Summary of Accounting Standards

This section provides a description of the most relevant accounting standards adopted for the preparation of these financial statements as of and for the year ended on December 31, 2023 (hereinafter the "**Financial Statements**"). These principles have been applied consistently for all periods presented.

2.1. Basis of Preparation

These Financial Statements have been prepared in accordance with the "EU IFRS", meaning by this all the "*International Financial Reporting Standards"*, all "*International Accounting Standards*" (IAS), all interpretations of the "*International Financial Reporting Interpretations Committee*" (IFRIC), formerly the *"Standing Interpretations Committee"* (SIC), that, as of the reporting date of the Financial Statements, have been endorsed by the European Union in accordance with the procedure provided forth in Regulation (EC) No. 1606/2002 of the European Parliament and the European Council of July 19, 2002. IFRS have been applied consistently to all periods presented in this document. Furthermore, reference was made to the provisions issued by Consob (Italian National Commission for listed companies) in implementation of paragraph 3 of art. 9 of Legislative Decree 38/2005.

These Financial Statements have been prepared on a going concern basis, as the Directors have verified that there are no financial, managerial or other indicators that could indicate critical issues regarding the Company's ability to meet its obligations in the foreseeable future and in particular over the next 12 months. A description of the ways in which the Company manages financial risks is illustrated in Note 3 related to 'Risk Management'.

These Financial Statements have been prepared and presented in Euro, which represents the functional currency of the predominant economic environment in which the Company operates. All amounts included in this document, unless otherwise indicated, are expressed in Euro.

The following are the financial statements formats and the relative classification criteria adopted by the Company, within the options provided by IAS 1 *Presentation of financial statements*:

- the Statement of Financial Position has been prepared by classifying assets and liabilities according to the "current/non-current" criterion;
- The Statement of profit and loss has been prepared by classifying operating costs by nature;
- The Statement of comprehensive income, in addition to the result of the period resulting from the statement or profit and loss, includes income and expense that are not recognized in profit or loss as required by IFRS;
- The Statement of changes in equity, prepared in accordance with IAS 1;
- The Statement of Cash Flows has been prepared by presenting cash flows resulting from operating activities according to the "indirect method".

These Financial Statements have been prepared on the basis of the conventional historical cost criterion, except for the measurement of financial assets and liabilities, in cases where the application of the *fair value* criterion is mandatory.

It should be noted that the Directors deemed it appropriate to make some reclassifications to the balances of certain items for the comparative year, in order to better represent and understand the financial statements amounts. In particular, reference is made to the Statement of Financial Position items of "Current income tax receivables" and "Other current assets", and "Income tax payables" and "Other current liabilities".

2.2. Valuation Criteria

The following briefly describes the accounting standards and most significant measurement criteria used for the preparation of the Financial Statements.

INTANGIBLE ASSETS

Intangible assets consist of identifiable non-monetary items without physical substance, controllable and capable of generating future economic benefits. These elements are initially recognized at purchase and / or production cost, including directly attributable expenses to prepare the asset for use. Any interest expense accrued during and for the development of intangible assets is considered part of the purchase cost.

Intangible assets with a defined useful life

Intangible assets with a finite useful life are recognized at cost, as described above, net of accumulated amortization and any impairment losses.

Amortization begins when the asset is available for use and is systematically allocated in relation to its residual possibility of use, i.e. based on the estimated useful life.

The estimated useful life for the various categories of intangible assets is as follows:

Class of intangible asset	**Useful life in years**
Industrial patents and intellectual property rights	3-5
Concessions, licenses, trademarks and similar rights	3-5
Other intangible assets	3-5
Development costs	3-5

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at purchase or production cost, net of accumulated depreciation and any impairment losses. The purchase or production cost includes the costs directly incurred to prepare the assets for use, as well as any dismantling and removal costs that will be incurred as a result of contractual obligations that require the asset to be restored to its original condition. Financial expense directly attributable to the acquisition, construction or production of qualified assets are capitalized and amortized based on the useful life of the asset to which refer.

The costs incurred for maintenance and repairs of an ordinary and / or cyclical nature are charged to the statement of profit and loss when incurred. The capitalization of the costs related to the expansion, modernization or improvement of the structural elements owned or used by third parties is carried out to the extent that they meet the requirements to be separately classified as an asset or part of an asset. The assets recognized in relation to leasehold improvements are amortized based on the duration of the lease, or on the basis of the specific useful life of the asset, if lower.

Depreciation is calculated on a straight-line basis using rates that allow assets to be depreciated until the end of their useful life. When the asset being depreciated is composed of distinctly identifiable elements, whose useful life differs significantly from that of the other parts that make up the asset, the depreciation is carried out separately for each of these parts, in application of the "*component approach*".

The indicative useful life, estimated for the various categories of property, plant and equipment, is as follows:

Class of property, plant and equipment	Useful life in years
Plant and machinery	3-5
Industrial and commercial equipment	6-7
Other assets	5-9

The useful life of property, plant and equipment is reviewed and updated, where necessary, at least at the end of each year.

Leased assets

The Company has entered into lease agreements relating to buildings, vehicles and industrial equipment. Lease contracts are generally entered into for fixed periods of 6 months to 6 years with extension options, as described below.
Contracts can contain both lease components and components other than leases.
The Company attributes the consideration in the contract to components other than lease on the basis of the *stand-alone selling price* (SSP) for each obligation. When an SSP does not exist, the Company estimates the SSP using an adjusted market approach.

Lease contracts are recognized as right-of-use assets and liabilities corresponding to the date on which the asset is available for use by the Company.
The assets and liabilities deriving from a lease are initially measured on the basis of their present value.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including fixed payments in substance), net of any lease incentives;
- variable payments based on an index or rate, initially measured using the index or rate as of the start date;
- the exercise price of a purchase option if the Company is reasonably certain to exercise such option;
- the payment of penalties for early termination; and
- payments due in an optional renewal period if the Company is reasonably certain to exercise the renewal option.

The lease payments are discounted using the lease's implicit interest rate. If this rate cannot be easily determined, which is generally the case with leases held by the Company, the lessee's incremental borrowing rate is used, being the rate that the Company should pay to borrow the funds needed to obtain assets of similar value to the right-of-use asset in a similar economic environment with similar terms, guarantees and conditions.

The right-of-use asset is depreciated on a straight-line basis over the lease term, unless the contract provides for the transfer of ownership at the end of the lease term or the lease cost reflects the fact that the lessee will exercise the purchase option. In this case, the depreciation shall be the shorter of the useful life of the asset and the lease term. The estimated useful lives of the assets consisting of the right of use are calculated according to the same criterion applied to the items of property, plant and equipment. In addition, the right-of-use asset is reduced by any impairment losses and adjusted to reflect the remeasurement of the lease liability.

In the statement of financial position, the Company presents right-of-use assets within property, plant and equipment and lease liabilities within current and non-current financial liabilities.
In the statement of profit and loss, interest expense on lease liabilities constitutes a component of financial expense and is presented separately from the depreciation of right-of-use assets.

The Company avails itself of the exemptions provided by the IFRS 16 - Lease principle with reference to lease contracts of less than 12 months and contracts relating to so-called "*low value assets*", collectively not significant.

The Company recognizes deferred taxation on right-of-use assets and lease liabilities.

FOREIGN CURRENCY TRANSLATION

Transactions in currency other than the functional currency are recorded at the exchange rate in force at the date of the transaction. Monetary assets and liabilities denominated in currency other than Euro are subsequently adjusted to the exchange rate in force at the reporting date of the year. Non-monetary assets and liabilities denominated in currency other than Euro are recorded at historical cost using the exchange rate in force at the date of initial recording of the transaction. Any exchange differences are reflected in profit or loss.

IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Assets (intangible assets and property plant and equipment) with a definite useful life

At each reporting date, a review is performed to ascertain whether there are any indicators that property, plant and equipment and/or intangible assets may have suffered an impairment. To this end, both internal and external sources of information are considered. With regard to the first (internal sources) the following are considered: the obsolescence or physical deterioration of the asset, any significant changes in the use of the asset and the economic performance of the asset compared to what was expected. With regard to external sources, the following are considered: the trend of market prices of assets, any technological, market or regulatory discontinuities, the trend in market interest rates or the cost of capital used to measure investments.

If the presence of these indicators is identified, the recoverable amount of the aforementioned assets is estimated, allocating any impairment loss with respect to the relative carrying amount to profit or loss. The recoverable amount of an asset is represented by the higher of the fair value, net of ancillary sales costs, and the related value in use, meaning the present value of the estimated future cash flows for this asset. In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market valuations of the cost of money, compared to the investment period and the specific risks of the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined in relation to the CGU to which this asset belongs.

An impairment loss is recognized in profit or loss if the carrying amount of the asset, or of the related CGU to which it is allocated, is higher than its recoverable amount. Impairment losses on CGUs are charged first against the carrying amount of any goodwill attributed to them and then, as a reduction of other assets, in proportion to their carrying amount and within the limits of the related recoverable amount. If the reasons that led to the impairment cease to exist, the carrying amount of the asset is reinstated with recognition in the statement of profit and loss, within the limits of the net carrying amount that the asset would have had if the impairment loss had not occurred and the related amortization/depreciation had been charged.

EQUITY INVESTMENTS

Investments in subsidiaries are recorded at acquisition cost, inclusive of directly attributable ancillary charges, adjusted in the presence of any impairments, which are charged to the statement of profit and loss. They are restored if the reasons for the impairments carried out no longer exist. Subsidiaries are the ones over which CY4 has the power to determine, directly or indirectly, the financial and operational policies in order to obtain the benefits arising from their activities.

In the presence of impairment indicators, equity investments are subject to verification in order to ascertain the existence of any impairments to be recognized in the statement of profit and loss. In particular, the aforementioned verification involves the determination of the recoverable amount of the participation by estimating its related use value or the fair value net of disposal costs; if this recoverable amount is lower than the carrying amount, an impairment loss on the investment must be recognized.

In the presence of evidence of impairment, recoverability is verified by comparing the carrying amount and the higher between the value in use, determined by discounting the prospective cash flows, where possible, of the investment, and the hypothetical sale value, determined on the basis of recent transactions or market multiples. The share of losses exceeding the carrying amount is recognized as a specific liability to the extent that the Company believes there are legal or implicit obligations to cover the losses and in any case within the limits of the equity. If the subsequent performance of the investment subject to impairment presents an improvement such that the reasons for the impairments made are no longer present, the investments are revalued within the limits of the impairments recognized in the previous years. Dividend income is recognized in the statement of profit and loss when the right to receive payment is established.

Company name	Registered office	Share capital (in Euro)	Equity (in Euro)	% as of December 31, 2023	% as of December 31, 2022	Carrying amount (in Euro)
Subsidiaries						
RCS ETM Sicurezza SpA	Milan - Via Caldera 21	7,000,000	34,262,222	100%	100%	76,220,734
Diateam S.a.S.	Brest - 31 Rue Yves Collet - France	300,000	2,738,604	100%	n.a.	5,638,856

INVENTORIES

Inventories are recorded at the lower of purchase or production cost and net realizable value, represented by the amount the Company expects to obtain from its sale in the normal course of business, net of selling costs.

The cost of finished products and semi-finished products includes raw materials, direct labor costs and other production costs (determined on the basis of normal operating capacity). Financial expense is not included in the measurement of inventories, they are charged to the statement of profit and loss when incurred, as the temporal conditions for capitalization do not exist.

Inventories of raw materials and semi-finished products that can no longer be used in the production cycle and inventories of unsaleable finished products are written down. The write-down is eliminated in subsequent years if the reasons for it cease to exist.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and available bank deposits and other forms of short-term investment, with maturity at origin of less than three months. The items included in cash and cash equivalents are initially measured at *fair value* and then at amortized cost.

TRADE RECEIVABLES AND CURRENT FINANCIAL ASSETS

Trade receivables, other current assets and current financial assets are generated through the ordinary course of the business and held for the purpose of collecting the contractual cash flows, that consist of "solely capital payments and interest" according to the criterion set out in IFRS 9. Consequently, they are initially recognized at fair value adjusted for the directly attributable transaction costs and subsequently measured at amortized cost based on the effective interest rate method (i.e. the rate that makes the present value of expected cash flows and the carrying amount equal, at the time of initial recognition), appropriately adjusted to take account of any impairment, by recognizing a loss allowance. Trade receivables, other current assets and financial assets are included in current assets, with the exception of those with a contractual maturity of more than twelve months after the reporting date, which are classified in non-current assets.

Assets with due dates over 12 months and without significant financial components are presented at their present value.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, financial assets, with the exception of those measured at fair value through profit or loss, are analyzed to verify the existence of indicators of impairment. According to IFRS 9, a model for forecasting expected credit losses must be applied when assessing an impairment. In carrying out this assessment, the Company applies a standard simplified approach to estimate the expected credit losses over the entire life of the Company and takes into account its historically gained experience regarding credit losses, adjusted for specific prospective factors, the nature of the Company's receivables and the economic context. If there is evidence of impairment, the loss is recognized in the statement of profit and loss under the item "Net impairment losses on financial assets and contract assets".

Trade receivables and financial assets are written down when there is no rational expectation of them being recovered. The signs that indicate the absence of rational recovery expectations include, among others, the inability of a creditor to engage in a recovery plan with the Company, and the inability to make contractual payments for a significant period of time.

For financial assets accounted for at amortized cost, when an impairment loss has been identified, its value is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted at the original effective interest rate. This impairment loss is recognized in the statement of profit and loss.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are derecognized when one of the following conditions is met:

- the contractual right to receive the cash flows from the asset has expired;
- the Company has substantially transferred all the risks and benefits associated with the asset, transferred its rights to receive cash flows from the assets or assumed a contractual obligation to transfer the cash flows received to one or more potential beneficiaries by virtue of a contract that meets the requirements of the standard ("*pass through test*");
- the Company has neither transferred nor substantially maintained all the risks and benefits associated with the

financial asset but has ceded control of it.

Financial liabilities are derecognized when they are extinguished, that is, when the contractual obligation is fulfilled, canceled or prescribed. An exchange of debt instruments with substantially different contractual terms must be accounted for as an extinction of the original financial liability and the recognition of a new financial liability. Similarly, a substantial change in the contractual terms of an existing financial liability, even partial, must be accounted for as an extinction of the original financial liability and the recognition of a new financial liability.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The Company offsets financial assets and liabilities if and only if:

- there is a legally exercisable right to offset the amounts recognized in the financial statements;
- there is an intention either to offset on a net basis or to realize the asset and settle the liability simultaneously.

FINANCIAL LIABILITIES AND TRADE PAYABLES

Financial liabilities and trade payables are recognized when the Company becomes part of the related contractual clauses and are initially measured at fair value adjusted for directly attributable transaction costs. Financial liabilities and trade payables, with the exception of derivative financial instruments, are measured at amortized cost using the effective interest rate method.

Financial liabilities are derecognized when and only they are extinguished (that is, when the obligation specified in the contract is remitted, canceled or expires).

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used as economic hedges solely to reduce interest rate risk. All derivative financial instruments are measured at fair value.

If financial instruments are not accounted for, under IFRS 9, as hedging instruments, changes in fair value detected subsequent to initial recognition are treated as components of the Profit (loss) for the year.

When derivative financial instruments qualify for accounting as hedging instruments, the following accounting treatments apply.

Cash flow hedge instruments

When a derivative financial instrument is designated as a hedging instrument for the exposure to the variability of future cash flows of an asset or liability recognized in the financial statements or a highly probable expected transaction and can impact profit or loss, the effective portion of any profit or loss on the derivative financial instrument is recognized directly in the Statement of comprehensive income through a specific capital reserve ("*Hedging reserve*"). The cumulative profit or loss is reclassified from the Statement of comprehensive income to the statement of profit and loss when the economic effects deriving from the hedged item impact profit or loss. The profit or loss associated with a hedge or part of the hedge that has become ineffective is recognized in profit or loss immediately within financial income or financial expense, respectively. When an instrument or a hedging relationship expires (for example, the derivative is sold, reaches its expiry or the hedging relationship no longer qualifies as effective), but the Company expects the hedged transaction to happen in the future, the cumulative gain or loss at the time of extinction remains in the Statement of comprehensive income and is recognized in profit or loss when the underlying transaction takes place. If the underlying transaction is no longer probable, the cumulative gain or loss present in the Statement of comprehensive income is immediately recognized in profit or loss.

The Company makes use of hedging derivatives subscribed to face the interest rate risk on the financing contracts it has stipulated.

If hedge accounting cannot be applied, the fair value gains or losses on the derivative financial instruments are recognized immediately in financial income or financial expenses, respectively.

EMPLOYEE BENEFITS

Short-term benefits are represented by wages and salaries, social security contributions, compensation for vacation and incentives paid in the form of bonuses payable in the twelve months from the reporting date. These benefits are accounted for as components of personnel expenses in the period in which the work is performed.

POST-EMPLOYMENT BENEFITS

In defined benefit plans, including the post-employment benefits due to employees pursuant to Article 2120 of the Italian Civil Code ("**TFR**"), the amount of the benefit to be paid to the employee can be quantified only after the termination of the employment relationship, and is linked to one or more factors such as age, years of service and remuneration; therefore the related expense is charged to profit or loss on the basis of an actuarial calculation. The liability recorded in the financial statements for defined benefit plans corresponds to the present value of the obligation at the reporting date. The present value of the defined benefit plan is determined by discounting the future cash flows at an interest rate equal to that of bonds (*high-quality corporate*) issued in Euro and which takes into account the duration of the related pension plan. Actuarial gains and losses deriving from the aforementioned adjustments and changes in actuarial assumptions are recognized in comprehensive income.
Starting from January 1, 2007 the so called 2007 Budget Law and the related implementation decrees have introduced significant changes to the post-employment benefit regulations, including the choice of the employee regarding the allocation of the accruing TFR. In particular, the new TFR flows may be directed by the worker to selected pension forms or maintained in the company. In the case of allocation to external pension schemes, only a defined contribution to the selected fund is paid, and from that date the newly accrued shares are defined contribution plans not subject to actuarial measurement.

SHARE-BASED PAYMENTS

In relation to share-based payments, the Company recognizes, if the conditions exist, the cost of the services aquired during the period in which it receives the service in exchange for an increase in equity or a liability, depending on the transaction settlement methods and, in particular, if the obligation is settled through shares (*equity-settled plan*) or with cash payment (*cash-settled plan*).

These plans are measured on the date the rights are assigned, through financial measurement techniques including market conditions in the measurement, and adjusting the number of rights that are expected to be assigned at each reporting date. The initial fair value of these rights is updated depending on whether the plan is classified as *cash-settled* or *equity-settled* respectively.

The Company has planned for its managers and for managers and other top figures of the subsidiaries, an Incentive Plan which consists in the assignment, free of charge, of the Company's shares, upon reaching certain economic-financial objectives. The Stock Grant Plan as structured falls within the scope of IFRS 2 in the type of "equity settled" transactions.

The cost of the incentive plan is spread over the period to which the incentive refers (cd. vesting period) and is determined with reference to the fair value of the right assigned to the beneficiaries at the date of the commitment in order to reflect the market conditions existing at the date.

At each reporting date, the assumptions regarding the number of Stock Grants that are expected to mature are checked. The expense for the year is recognized in profit or loss, among Personnel expenses, and an equity reserve is recognized in counterpart.

PROVISIONS FOR RISKS AND CHARGES

Provisions are recorded for losses and charges of a specific nature, of certain or probable existence, for which, however, the amount and / or date of occurrence cannot be determined. They are only recognized when there is a current obligation, legal or implicit, for a future outflow of economic resources as a result of past events and it is probable that this outflow is required for the fulfillment of the obligation. This amount represents the best estimate of the costs to settle the obligation. The rate used in determining the present value of the liability reflects current market values and takes into account the specific risk associated with each liability.

When the time value of money is significant and the payment dates of the obligations can be reliably estimated, the provisions are measured at the present value of the expected cash outflows using a rate that reflects the market conditions, the change in the cost of money over time and the specific risk linked to the obligation. The increase in the amount of the provision, determined by changes in the cost of money over time, is accounted for as an interest expense.

The risks for which the emergence of a liability is only possible are indicated in the specific section regarding contingent liabilities, and no provision is made for these.

RECOGNITION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's revenues are mainly generated from the sale of cyber security and cyber intelligence technologies, products, systems and services.

Revenues from product sales are recognized at the time of transfer of control of the asset, i.e. of the risks and benefits, which normally coincides with the delivery or shipment of the goods, or at the time of transfer of the service to the customer, taking into account the value of any commercial discounts, allowances and expected returns. Revenues of a financial nature and that deriving from services are recognized on an accruals basis. Revenues and income, costs and expenses related to foreign currency transactions are determined at the current exchange rate on the date on which the transaction is carried out.

Contracts that meet the requirements for revenue recognition “over time” are classified among "contract assets" or among "contract liabilities" depending on the relationship between the status of fulfillment of the performance by the Company and the payments received from the customer. In particular:

- "contract assets" represent the right to consideration for goods or services that have already been transferred to the customer;
- "contract liabilities" represent the Company’s obligation to transfer goods or services to the customer for which a consideration has already been received (or the right to receive has already arisen).

Where more than one performance obligation is present within a contract, representing a contractual promise to transfer a distinct good or service to the customer (or a series of distinct goods or services that are substantially the same and are transferred in the same way), the classification between assets and liabilities is made at the overall level and not at the level of a single performance obligation.

Contract assets and liabilities with customers are recognized using the percentage of completion as the methodology for measuring progress; according to this methodology, costs, revenues and the margin are recognized based on the progress of the activity, determined by referring to the ratio between costs incurred at the measurement date and total expected costs included in the relevant job budgets. The Company systematically updates the assumptions that are the basis of the job budgets in order to reflect in the financial statements the most reasonable estimate of the contractual considerations accrued and the economic result of the job.

Conversely, in the event that the requirements for recognition over a period of time are not met, revenues are recognized at a specific point in time (“at a point in time”), that is when the customer gains control of the promised goods or services.

Contract assets are presented net of any impairment losses. Periodic updates of estimates are made and any economic effects are accounted for in the year in which the updates are made.

The Company enters into contracts that are generally able to be distinguished and accounted for as separate performance obligations. The recognized revenues are limited to the amount of consideration that the Company expects to receive. The Company attributes the transaction price to the performance obligations on the basis of the *stand-alone selling prices* (SSP) for each obligation. When an SSP does not exist, the Company estimates the SSP using an adjusted market approach.

GRANTS

Government grants are recorded at fair value, when there is reasonable certainty that they will be received and all the conditions related to them are satisfied. When the contributions are related to cost components, they are recognized as revenues, but are systematically distributed over the years so as to be proportionate to the costs they intend to compensate. In the case where the contribution is related to an asset, the fair value is brought to decrease the asset itself. It is also suspended in liabilities if the asset to which it is related is not operational, or is under construction and the relative amount does not fit into the value of the asset itself.

DIVIDENDS

Dividends are recognized when the Shareholders' right to receive payment arises, which normally corresponds to the shareholders' resolution to distribute the dividends. The distribution of dividends to Shareholders is recorded as a liability in the financial statements in the period in which their distribution is approved by the Shareholders' Meeting and reflected as a movement of equity.

TAXES

Current taxes are determined based on an estimate of taxable income, in compliance with the applicable tax legislation.

Deferred tax assets and deferred tax liabilities are calculated against all the differences that emerge between the tax base of an asset or liability and the related carrying amount, with the exception of goodwill upon initial recognition. Deferred tax assets, including those relating to previous tax losses, for the portion not offset by deferred tax liabilities, are recognized to the extent that it is probable that future taxable income will be available against which they can be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable in the years in which the differences will be realized or settled.

The amount of deferred tax assets is reviewed at each reporting date and possibly reduced to the extent that it is no longer likely that sufficient taxable profits will be available in the future to allow all or part of the related credit to be utilized. Unrecognized deferred tax assets are reviewed annually at the reporting date and are recognized to the extent that it has become likely that the taxable profit is sufficient to allow such deferred tax assets to be recovered.

Current taxes, deferred tax assets and deferred tax liabilities are recognized in the statement of profit and loss under the item "Income taxes", with the exception of those relating to items recognized in the Statement of comprehensive income other than profit and those relating to items directly debited or credited to equity. In these latter cases, deferred taxes are recognized in the Statement of comprehensive income and directly in equity. Deferred tax assets and deferred tax liabilities are offset when they are applied by the same tax authority, there is a legal right to offset them, and a settlement of the net balance is expected.

Other taxes not related to income, such as indirect taxes, are included in the statement of profit and loss item "Other operating costs".

2.3. Recently issued accounting standards

New accounting standards, amendments and interpretations adopted by the Company

The following summarizes the accounting standards and interpretations of new issuance that came into effect on January 1, 2023:

Amendments to IFRS 17 — Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information	In December 2021, the IASB issued amendments to IFRS 17 — *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information*, which provides a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	In May 2021, the IASB issued amendments to IAS 12 — *Income Taxes: Deferred Tax related to Assets and Liabilities Arising From a Single Transaction* that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations, transactions for which companies recognize both an asset and a liability. In particular, it has been clarified that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. These amendments are effective from January 1, 2023, with early application allowed.
IFRS 17 — Insurance Contracts	In May 2017, the IASB issued IFRS 17 — Insurance Contracts, which establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued as well as guidance relating to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020 the IASB issued amendments to IFRS 17 aimed at helping companies implement IFRS 17 and make it easier for companies to explain their financial performance.
Amendments to IAS 1 — Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	In February 2021, the IASB issued amendments to the *IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies* which require companies to disclose their material policy information rather than their significant accounting policies and provide guidance on how to apply the concept of materiality to the disclosure of accounting policies.
Amendments to IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	In February 2021, the IASB issued amendments to IAS 8 — *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* which clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IFRS 4 — Insurance Contracts	In June 2020, the IASB issued amendments to IFRS 4 — *Insurance Contracts* which defer the expiry date of the temporary exemption from applying IFRS 9 to annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 — Income taxes: International Tax Reform – Pillar Two Model Rules	In May 2023, the IASB issued amendments to IAS 12 — *Income taxes: International Tax Reform – Pillar Two Model Rules*, to clarify the application of IAS 12 — *Income taxes* to income taxes arising from tax law enacted or substantively enacted to implement the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes). The amendments introduce: (i) a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules, which was effective immediately upon issuance of the amendment, and (ii) disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before the effective date of the Pillar Two model rules, which apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

The adoption of these amendments had no significant effect.

Accounting standards not yet applicable, as they have not been approved by the European Union

The following new standards, amendments and interpretations are effective starting from January 1, 2024 or thereafter. The Company is evaluating the effects and does not expect any impact from the adoption of these changes on its Financial Statements. As of the drafting date of these Financial Statements, no significant impacts are expected.

Amendments to IAS 1 — Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	In January 2020, the IASB issued amendments to IAS 1 — *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* to clarify how to classify debt and other liabilities as current or non-current, and in particular how to classify liabilities with an uncertain settlement date and liabilities that may be settled by converting to equity. These amendments are effective on or after January 1, 2024. The Company does not expect any significant impact from the adoption of these changes.
IFRS 16 - Leases: Liability in a Sale and Leaseback	In September 2022, the IASB made changes to the *IFRS 16 – Leases: Liabilities in sale and leaseback* to provide guidelines for assessing the liability arising from a sale and leaseback transaction, aimed at ensuring that the seller-lessee does not recognize any profit or loss amount related to the retained right of use. These changes are effective from January 1, 2024. The Company does not foresee significant impacts from the adoption of these changes.
IAS 1 – Presentation of Financial Statements: Non-current Liabilities with Covenants	In October 2022, the IASB issued amendments to IAS 1 — *Presentation of Financial Statements: Non-current Liabilities with Covenants*, that clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. These amendments are effective on or after January 1, 2024. These changes have not yet been ratified by the European Union.

IAS 7 — Statement of Cash Flows and IFRS 7 — Financial Instruments: Disclosures: Supplier Finance Arrangements	In May 2023, the IASB issued amendments to IAS 7 — *Statement of Cash Flows* and IFRS 7 — *Financial Instruments: Disclosures: Supplier Finance Arrangements,* that introduce new disclosure requirements to enhance the transparency and usefulness of the information provided by entities about supplier finance arrangements and are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments are effective on or after January 1, 2024. The Company is assessing the potential impact resulting from the adoption of these changes.
IAS 21 — The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	In August 2023, the IASB issued amendments to IAS 21 — *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*, to clarify how an entity has to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determine the exchange rate to use and the disclosures to provide. These amendments are effective on or after January 1, 2025. The Company does not foresee significant impacts from the adoption of these amendments.

Please note that the Company has not adopted, in advance, accounting standards and amendments with an effective date in subsequent years.

3. Risk Management

The Company's activities are exposed to the following risks: i) market risk, defined as currency risk, interest rate risk and price risk, ii) credit risk, iii) liquidity risk and iv) capital risk.

The Company's risk management strategy is aimed at minimizing potential negative effects on the Company's financial performance.

Currently and based on the estimates made, no problems of business continuity or impairment emerge.

INTEREST RATE RISK

The Company has subscribed "Interest Rate Swap" hedging derivatives on the risk of interest rate, to cover the risk of fluctuation of the interest rate applied on variable rate financing contracts. The following tables provide details of the instruments subscribed as of December 31, 2023 and 2022:

Bank loans as of December 31, 2023		**Cash Flow hedge derivative instruments Principal amount as of December 31, 2023**	
(in Euro)	**Principal amount**	**IRS**	**Total**
Variable rate loans	17,555,052	12,500,000	12,500,000
Fixed rate loans	1,500,000	-	-
Total	**19,055,052**	**12,500,000**	**12,500,000**

Bank loans as of December 31, 2022		**Cash Flow hedge derivative instruments Principal amount as of December 31, 2022**	
(in Euro)	**Principal amount**	**IRS**	**Total**
Variable rate loans	12,500,000	12,500,000	**12,500,000**
Total	**12,500,000**	**12,500,000**	**12,500,000**

The Company, in choosing financing and investment operations, has adopted criteria of prudence and limited risk and has not carried out speculative transactions.

CURRENCY RISK

The Company believes that it is not significantly exposed to fluctuations in exchange rates, therefore it does not carry out operations in derivative financial instruments to hedge against currency risk. In particular, despite the Company conducting its business abroad, exposure to foreign countries is limited and there are no financial liabilities in currencies other than the Euro.

PRICE RISK

The Company believes it is not significantly exposed to movements in the prices of raw materials and commodities used in the production process and the consequent influence of these on operating margins.

CREDIT RISK

Credit risk is essentially derived from receivables from customers. To mitigate the credit risk related to commercial counterparties, the Company put in place procedures aimed at ensuring that product sales are made to customers who are deemed reliable. This risk, which takes the form of the possibility that the counterparty does not fulfill its contractual obligations, is mitigated through constant monitoring of its commercial exposure and the collection times of receivables.

It should also be specified that the credit risk is further limited considering the characteristics of the customers, largely public entities.

The Company applies the simplified approach provided by IFRS 9 for the estimate of the recoverability of its trade receivables. The adjustment of the estimates that results from this takes into account the risk of non-collectability of receivables through the differentiation of the ECL (Expected Credit Losses) applied to groups of homogeneous receivables with respect to the risk profile and age, or depending on the progress of the actions taken for the recoverability of doubtful receivables. The amount of financial assets considered doubtful for recovery is not significant and is, in any case, covered by appropriate allocations to the loss allowance. See Note 17 for more details about the loss allowance.

LIQUIDITY RISK

The liquidity risk is associated with the Company's ability to meet commitments deriving mainly from financial liabilities. A prudent management of the liquidity risk originating from the Company's normal operations involves maintaining an adequate level of cash availability and the availability of liquidity obtainable through an adequate amount of credit lines. Cash flows, financing needs and liquidity are constantly monitored and managed with the aim of ensuring an effective and efficient management of financial resources.

CAPITAL RISK

The Company's objective in the context of capital risk management is mainly to safeguard the going concern in order to guarantee returns to shareholders and benefits to all stakeholders. The Company also aims to maintain an optimal capital structure so as to reduce the cost of borrowing.

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The *fair value* of trade receivables and other financial assets, payables to suppliers, other liabilities and loans, recorded among the "current" items of the statement of financial position and evaluated with the amortized cost method, being mainly assets underlying commercial relationships whose settlement is expected in the short term, does not differ from the amounts recognized in the financial statements as of December 31, 2023 and 2022.

Non-current financial liabilities and assets are settled or measured at market rates and it is believed, therefore, that the *fair value* of the same is substantially in line with current carrying amounts.

The following is a classification of financial assets and liabilities by category as of December 31, 2023 and 2022 identified based on the requirements of IFRS 7.

As of December 31,2023 *(in Euro)*	**Financial assets / liabilities at amortized cost**	**Fair value of hedging instruments**	**Assets / liabilities at fair value through profit or loss**	**Non-financial assets / liabilities**	**Total**
Assets					
Non-current financial assets	40,000	85,144	43,132	-	**168,276**
Current financial assets	-	196,071	-	-	**196,071**
Trade receivables and contract assets	36,631,648	-	-	-	**36,631,648**
Cash and cash equivalents	2,579,157	-	-	-	**2,579,157**
Total assets	**39,250,805**	**281,215**	**43,312**	**-**	**39,575,152**
Liabilities					
Non-current financial liabilities	12,967,017	-	-	-	**12,967,017**
Non-current lease liabilities	864,750	-	-	-	**864,750**
Current financial liabilities	3,788,798				**3,788,798**
Current lease liabilities	349,159	-	-	-	**349,159**
Trade payables	10,302,113	-	-	-	**10,302,113**
Total liabilities	**28,271,837**	**-**	**-**	**-**	**28,271,837**

As of December 31, 2022 *(in Euro)*	**Financial assets / liabilities at amortized cost**	**Fair value of hedging instruments**	**Assets / liabilities at fair value through profit or loss**	**Non-financial assets / liabilities**	**Total**
Assets					
Non-current financial assets	20,999	430,275	-	-	**451,274**
Current financial assets	857,243	196,071	-	-	**1,053,314**
Trade receivables and contract assets	36,226,887	-	-	-	**36,226,887**
Cash and cash equivalents	10,767,274	-	-	-	**10,767,274**
Total assets	**47,872,403**	**626,346**	**-**	**-**	**48,498,749**
Liabilities					

Non-current financial liabilities	10,104,841	-	-	-	**10,104,841**
Non-current lease liabilities	1,061,686	-	-	-	**1,061,686**
Current financial liabilities	1,195,652	-	-	-	**1,195,652**
Current lease liabilities	327,401	-	-	-	**327,401**
Trade payables	7,084,179	-	-	-	**7,084,179**
Total liabilities	**19,773,759**	**-**	**-**	**-**	**19,773,759**

FAIR VALUE MEASUREMENT

The *fair value* of financial instruments listed on an active market is based on market prices at the financial statements' reporting date. The *fair value* of instruments that are not listed on an active market is determined using measurement techniques based on a series of methods and assumptions related to market conditions at the reporting date.

The following is the classification of the *fair values* of financial instruments based on the following hierarchical levels:

Level 1: Fair value determined with reference to listed prices (not adjusted) on active markets for identical financial instruments;

Level 2: Fair value determined with measurement techniques with reference to observable variables on active markets;

Level 3: Fair value determined with measurement techniques with reference to unobservable market variables.

As of December 31, 2023, the fair value of the call option held for the acquisition of 44.67% of the share capital of Diateam S.a.S. ("**Diateam**") is included among the assets measured at fair value. As of December 31, 2023 and 2022, there are also interest rate derivatives with positive fair value. For more information, please refer to Note 20.

The following tables presents the classification of the fair value of the aforementioned financial assets as of December 31, 2023 and 2022.

As of December 31, 2023		**Fair Value**		
(in Euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current assets	**-**	**85,144**	**43,132**	**128,276**
Derivative financial instruments	-	85,144	43,132	128,276
Current assets	-	**196,071**	-	**196,071**
Derivative financial instruments	-	196,071	-	**196,071**
Total	**-**	**281,215**	**43,132**	**324,347**

As of December 31, 2022		**Fair Value**		
(in Euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current assets	-	**430,275**	-	**430,275**
Derivative financial instruments	-	430,275	-	430,275
Current assets	-	**196,071**	-	**196,071**
Derivative financial instruments	-	196,071	-	**196,071**
Total	**-**	**626,346**	**-**	**626,346**

Measurement techniques and inputs used

As of December 31, 2023, the fair value of the call option held for the acquisition of 44.67% of the share capital of Diateam is included among the assets valued at fair value. For further information, please refer to Note 15.

The *fair value* of the option was calculated by implementing a Monte Carlo simulation model, simulating a large number of future prospective scenarios of the Equity Value and EBITDA of the subsidiary Diateam. The prospective amounts of Equity Value and EBITDA were simulated through a normal model (Bachelier framework), starting from the value realized in the 2023 by the subsidiary Diateam and from the values forecasted in the Business Plan of the subsidiary, for 2024 and 2025.

For each scenario of simulated Equity Value and EBITDA, the value of the Strike Price at the date of exercise of the option was calculated, taking into account the contractually defined constraints. In each scenario, the fair value of the option was therefore obtained as the sum of the values, discounted to the *cost of equity*, of the Strike Prices relating to the different tranches. The fair value of the option was calculated as an arithmetic average, across all scenarios, of the relative simulated magnitudes.

The simulation model was implemented based on the following assumptions:

- for the calculation of the fair value of the option, the cost of equity of the Company was considered as the discount rate;
- the volatility parameter of Diateam's Equity Value was calculated based on the relative historical series of CY4Gate's Equity Value;
- the volatility parameter of Diateam's EBITDA was from the time series of EBITDA for comparable companies.

The variations of the *fair value* option, amounting to Euro 43 thousand, are recorded by the Company in the Statement of profit and loss, under the item "Net financial income". For more information, please refer to Note 10 of the Notes to the Consolidated financial statements.

4. Estimates and Assumptions

The preparation of the financial statements requires the Directors to apply accounting principles and methods which, in certain circumstances, are based on difficult and subjective assessments and estimates based on historical experience and assumptions that are considered reasonable from time to time and realistic according to the relative circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statements, in the Statement of Financial Position, in the Statement of profit and loss, in the Statement of Comprehensive Income, in the Statement of Cash Flows, in the Statement of Changes in Equity, as well as in the disclosure provided. Cash flows, financing needs and liquidity are constantly monitored and managed with the aim of ensuring effective and efficient management of the specific financial resources.

The final results of the financial statements items for which the aforementioned estimates and assumptions have been used may differ from those reported in the financial statements that reflect the effects of the occurrence of the event subject to estimation, due to the uncertainty that characterizes the assumptions and conditions on which the estimates are based.

The areas that require more subjectivity on the part of the Directors in preparing the estimates, and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial data, are briefly described below.

(a) Impairment of assets

In accordance with the accounting standards applied by the companies of the Company, property, plant and equipment and intangible assets are subject to verification in order to ascertain whether a reduction in value has taken place, which must be recognized through an impairment, when there are indicators that suggest difficulties in recovering the related net carrying amount, represented by the higher between fair value less cost of disposal and value in use. The verification of the existence of the aforementioned indicators requires the directors to make subjective assessments based on the information available within the Company and on the market, as well as from historical experience. Furthermore, if it is determined that a potential impairment may have occurred, the Company proceeds with the determination of the impairment using measurement techniques deemed appropriate. The correct identification of the elements indicating the existence of a potential impairment of property, plant and equipment and intangible assets, as well as the estimates for their determination, depend on factors that may vary over time, influencing the assessments and estimates made by the Directors.

With particular reference to the estimation of the value in use through a method based on the discounting of expected financial cash flows, it is highlighted that this methodology is characterized by a high degree of complexity and the use of estimates, by their uncertain and subjective nature, about:

- the expected flows, determined taking into account the general economic trend and the Company's industry, the financial cash flows produced in the last few years and the forecast growth rates;
- the financial parameters to be used for the discounting of the above mentioned flows.

(b) Equity investments

In accordance with the accounting standards applied by the Company, equity investments are subject to verification to ascertain whether an impairment has occurred, which must be recorded through an impairment loss, when there are indicators that predict difficulties in recovering the relative net carrying amount represented by the greater of the fair value, net of selling costs, and the value in use. The verification of the existence of these indicators requires, from the Directors, the exercise of subjective evaluations based on information available within the Company and on the market, as well as from historical experience. Furthermore, if it is determined that a potential impairment may have occurred, the Company proceeds to determine it using measurement techniques deemed appropriate. The correct identification of the indicative elements of the existence of a potential impairment of equity investments, as well as the estimates for the determination of the same, depend on factors that can vary over time, influencing the evaluations and estimates made by the Directors.

The determination of the recoverable amount of equity investments involves the assumption of estimates that depend on factors that may change over time, with potential significant effects compared to the evaluations carried out by the Directors. Particularly with reference to the determination of the value in use with the methodology of discounting expected future financial cash flows, it should be noted that this methodology is characterized by a high degree of complexity and the use of estimates, by their uncertain and subjective nature, about:

- the expected financial cash flows of these investees, determined taking into account the general economic trend, the Company's industry, the financial cash flows accounted for in the last few years and the forecast growth rates;
- the financial parameters used for the determination of the discount rate.

(c) Amortization and depreciation

The cost of property, plant and equipment and intangible assets is amortized/depreciated on a straight-line basis over the estimated useful life of the related assets. The useful economic life of these assets is determined by the Directors when they are purchased; It is based on historical experience for similar assets, market conditions, and expectations regarding future events that could have an impact on the useful life of the assets, including changes in technology.

Therefore, the actual economic life may differ from the estimated useful life.

(d) Fair value measurement

In measuring the fair value of an asset or a liability, the Company makes use of observable market data as far as possible. Fair values are distinguished into various hierarchical levels based on the input data used in measurement techniques, as better described in the previous paragraph "Fair value measurement".

(e) Provisions for risks and charges

The Company identifies in the provisions for risk and charges the likely liabilities attributable to personnel expenses, suppliers, third parties and, in general, other expenses arising from obligations undertaken; the provisions recorded are representative of the risk of negative outcome associated with the listed cases. The amount of the provisions recorded in the financial statements relating to these risks represents the best estimate at the date made by the Directors. This estimate involves the adoption of assumptions which depend on factors that may change over time and that could, therefore, have significant effects compared to the current estimates made by the Directors for the preparation of the Company's financial statements.

(f) Loss allowance

The loss allowance reflects the estimates of estimated losses for the Company's loan portfolio. Provisions were made for expected losses on receivables, estimated based on past experience with reference to receivables with similar credit risk, to current and historical unpaid amounts, as well as to the careful monitoring of the quality of the loan portfolio and the current and expected conditions of the economy and the reference markets. Estimates and assumptions are periodically reviewed and the effects of any change are reflected in the statement of profit or loss in the relevant year.

(g) Contract assets and liabilities

In measuring contract assets and liabilities the Company determines whether revenues from contracts must be recognized at a specific time or over time and estimates the percentage of completion based on the *cost to cost*.

(h) Employee benefits

The actuarial measurement requires the elaboration of various assumptions that can differ from actual future developments. The results depend on the technical bases adopted such as, among others, the discount rate, the inflation rate, the wage increase rate and the expected turnover. All assumptions are reviewed annually.

(i) Deferred tax assets

Deferred tax assets must be recognized for all deductible temporary differences or for tax losses if it is likely that taxable income will be realized against which deductible temporary difference or tax losses can be used exist. The Company assesses the possibility to recognize deferred tax assets based on future economic projections. The estimates and assumptions underlying such future economic projections are reviewed periodically.

(l) Lease liabilities

The measurement of lease liabilities is influenced by the duration of the lease as the non-cancellable period of the lease, to which both the following periods are to be added: a) periods covered by a lease extension option, if the lessee is reasonably certain to exercise the option; and b) periods covered by the lease termination option, if the lessee is reasonably certain not to exercise the option. The measurement of the lease duration involves the assumption of estimates that depend on factors that can change over time with potentially significant effects compared to the assessments made by the Directors.

5. Revenues

This item mainly refers to the sale of products and can be detailed as follows:

	For the year ended December 31	
(in Euro)	**2023**	**2022**
Revenues from sales and services	15,731,628	24,422,465
Change in contract assets work in progress	1,143,376	673,408
Total	**16,875,004**	**25,095,873**

Revenues, amounting to Euro 16,875 thousand, show a decrease of Euro 8,221 thousand compared to the previous year, mainly in the sale of Cybersecurity product licenses due to the lack of PNRR (National Recovery and Resilience Plan) effect and lower performance in sales.

The positive change in the item "Change in contract assets work in progress" for the year ended December 31, 2023 amounts to Euro 1,143 thousand and is related to the progress of orders mainly acquired in the last quarter of the year and not yet invoiced.

The following presents the breakdown of revenues recognized "at a point in time" (i.e. upon delivery of the good, license or service) or "over time".

	For the year ended December 31	
(in Euro)	**2023**	**2022**
Recognized at point in time	7,168,565	19,145,520
Recognized over time	8,563,063	5,276,945
Total	**15,731,628**	**24,422,465**

Within each contract, the reference element for revenue recognition is the individual performance obligation. For each separately identified obligation, the Company recognizes revenues when (or as) it fulfills the obligation itself, transferring the promised good/service (i.e. the asset) to the customer. The asset is transferred when (or as) the customer takes control of it.

For obligations to be fulfilled over time, revenues are recognized over time (over time), evaluating at the end of each year the progress made towards the complete fulfillment of the obligation. For the evaluation of progress, the Company uses the method based on inputs (*cost to cost method*). Revenues are recognized based on the inputs used to fulfill the obligation up to the date, compared to the total inputs assumed to fulfill the entire obligation. When the inputs are distributed evenly over time, the Company linearly recognizes the corresponding revenues. In certain circumstances, when it is not possible to reasonably assess the outcome of the obligation to act, revenues are recognized only up to the extent of the costs incurred.

The following table presents the revenues broken down by geographical area:

	For the year ended December 31	
(in Euro)	**2023**	**2022**
Italy	15,464,972	19,360,873
Outside Italy	1,410,032	5,735,000
Total	**16,875,004**	**25,095,873**

6. Other Revenue and Income

This item can be detailed as follows:

	For the year ended December 31	
(in Euro)	**2023**	**2022**
Tax benefits	456,574	974,810
Grants	197,647	367,635
Other	78,665	321,876
Total	**732,886**	**1,664,321**

The income from "tax benefits" mainly refers to tax assets for research and development and for the purchase of operating assets - for further information please refer to note 18. The decrease compared to the previous year is influenced by the regulatory change of the rates for the calculation of the concession, which have been lowered.

7. Purchases, services and personnel expenses

This item can be detailed as follows:

	For the year ended December 31	
(in Euro)	**2023**	**2022**
Costs for raw materials and goods	45,142	40,052
Costs for consumable materials	416,288	436,484
Total costs for raw materials	**461,430**	**476,536**
Legal and consultancy fees	4,270,965	4,611,081
Technical and commercial services	173,714	759,977
Management and administration services	176,454	187,029
Rentals and accessory expenses	1,025,484	893,041
Representation and promotion expenses	733,460	642,136
Other costs	3,422,041	1,815,905
Total service costs	**9,802,118**	**8,909,169**
Wages and salaries	6,286,806	4,094,980
Social security contributions	2,026,791	1,834,838
Post-employment benefits (TFR)	224,602	220,111
Retirement benefits and similar	162,918	149,596
Directors’ remuneration	308,406	262,410
Other costs	244,106	223,987
Share-based payments	145,559	-

Total personnel expenses	**9,399,188**	**6,785,922**
Total purchases, services and personnel expenses	**19,662,736**	**16,171,627**

Service costs and personnel expenses are recognized net of capitalizations made for development costs. Such capitalizations amount to Euro 1,412 thousand and Euro 1,044 thousand respectively for the year ended December 31, 2023 (Euro 1,395 thousand and Euro 2,235 thousand for the year ended December 31, 2022). For more information, refer to Note 14.

It is also represented that service costs include the costs incurred for the process of *translisting* in the year, amounting to Euro 1,271 thousand.

The item "share-based payments", included in personnel expenses, refers to the recognition of the expense related to the stock grant plan approved by the Company. The recognition of this expense implied the recognition of an equity reserve. The main features of the plan are described below.

The stock grant plan approved by the Company consists in the free assignment to beneficiaries of shares of the parent company, over a share assignment cycle referred to the three-year period 2023-2025. The maximum number of shares that can be collectively assigned to beneficiaries will be 427,500, throughout the entire duration of the plan cycle. Each year, the allocation of shares is subject to the Company's achievement of financial performance and qualitative objectives defined in the plan regulations. The date of share allocation, for regulatory purposes, is the date of the resolution by which the Board of Directors certifies the achievement of the aforementioned objectives. In relation to what has been described so far, the measurement of the plan has determined, for the year, a cost of Euro 146 thousand and implied the recognition of an equity reserve.

The increase in personnel expenses confirmed the strengthening of the workforce with the addition of 36 new resources compared to 24 departures, both in the sales area in order to consolidate the Company's presence in strategic markets, and in the Development and delivery technical teams.

The following is the average number of the Company's employees:

	For the year ended December 31	
(in Units)	**2023**	**2022**
Executive managers	11	10
Middle managers	27	17
Employees	99	89
Total	**137**	**116**

8. Depreciation and amortization

This item can be detailed as follows:

	For the year ended December 31	
(in Euro)	**2023**	**2022**
Amortization of intangible assets	6,978,128	5,545,194
Depreciation of property, plant and equipment	390,571	327,041
Depreciation of right-of-use assets	357,198	339,728
Total	**7,725,897**	**6,211,963**

9. Other operating costs

This item can be detailed as follows:

	For the year ended December 31	
(in Euro)	**2023**	**2022**
Losses on transactions	4,015	3,704
Contributions and membership fees	62,038	76,383
Taxes and other indirect taxes	37,316	57,281
Other costs	22,075	25,005
Total	**125,444**	**162,373**

10. Financial income and expense

This item can be detailed as follows:

	For the year ended December 31	
(in Euro)	**2023**	**2022**
Interest income	31,924	265
Other financial income	263,490	415
Financial income	**295,414**	**680**
Bank interest expense	(1,346,103)	(484,064)
Lease interest expense	(15,209)	(8,254)
Net exchange losses	(5,347)	(3,979)
Interest expense on employee benefits	(20,603)	(3,649)
Other interest and financial expense	(174,572)	(277,658)
Financial expense	**(1,561,834)**	**(777,604)**
Net financial expense	**(1,266,420)**	**(776,924)**

The change in financial expense is mainly due to higher interest expenses on borrowings (the change for this item amounts to Euro 862 thousand).

11. Income Taxes

This item can be detailed as follows:

	For the year ended on December 31	
(in Euro)	**2023**	**2022**
Taxes relating to previous periods	-	(14,040)
Deferred taxes	(194,746)	(1,502,390)
Total	**(194,746)**	**(1,516,430)**

The Company ended the 2023 year with a tax loss and, therefore, no current tax for IRES and IRAP purposes was recognized. Deferred taxes are mainly related to the IRES tax loss for the 2023 year.

CY4Gate, as the consolidating company, and its subsidiaries RCS ETM Sicurezza S.p.A. and Tykelab S.r.l., as consolidated companies, participate in the National Fiscal Consolidation in force for the 2023-2025 three-year period. The relations between the consolidating company and the consolidated companies are regulated by the National Fiscal Consolidation Regulation of the Company, inspired by criteria of homogeneity and neutrality.

12.Intangible Assets

This item and the related movement can be detailed as follows:

(in Euro)	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Asset under development and advance payments	Other	**Total**
Balance as of January 1, 2022	**3,833,161**	**3,580,758**	**66,680**	**-**	**44,339**	**7,524,938**
Of which:						
- historical cost	*6,656,308*	*4,923,068*	*200,000*	-	*80,692*	***11,860,068***
- accumulated amortization	*(2,823,147)*	*(1,342,310)*	*(133,320)*	-	*(36,353)*	***(4,335,130)***
Investments	3,630,164	4,896,283	-	1,369,000	2,500,000	**12,395,447**
Amortization	(2,598,367)	(2,243,239)	(66,680)	-	(636,908)	**(5,545,194)**
Balance as of December 31, 2022	**4,864,958**	**6,233,802**	**-**	**1,369,000**	**1,907,431**	**14,375,191**
Of which:						
- historical cost	*10,286,472*	*9,819,351*	*200,000*	*1,369,000*	*2,580,692*	***24,255,515***
- accumulated amortization	*(5,421,514)*	*(3,585,549)*	*(200,000)*	-	*(673,261)*	***(9,880,324)***
Investments	2,456,782	4,785,503	-	1,044,641	418,258	8,705,184
Amortization	(3,098,546)	(2,986,987)	-	-	(892,595)	(6,978,128)
Reclassification	-	1,369,000	-	(1,369,000)	-	-
Balance as of December 31, 2023	**4,223,194**	**9,401,318**	**-**	**1,044,641**	**1,433,094**	**16,102,247**
Of which:						
- historical cost	*12,743,254*	*15,943,853*	-	*1,044,641*	*1,539,678*	*31,271,426*
- accumulated amortization	*(8,520,060)*	*(6,542,535)*	-	-	*(106,584)*	*(15,169,179)*

"Development costs" include the costs related to the application of the results of research or other knowledge to a plan or project aimed at the production of new or substantially advanced applications, devices and software systems before the start of commercialization, for which the future production of economic benefits can be demonstrated.

Intangible assets recognized as of December 31, 2023 amount to Euro 16,102,247 and show a net increase compared to the previous year of Euro 14,375,191 attributable to:

- investments of the period for Euro 8,705 thousand, mainly attributable to development costs for Euro 2,457 thousand, for which, following appropriate analysis, the Directors believed that all the requirements for their capitalization were met, and to industrial patents and intellectual property rights for Euro 4,786 thousand, for the purchase of software licenses; to the increase in fixed assets in progress and payments on account (Euro 1,045 thousand);
- amortization of Euro 6,978 thousand.

With reference to the recoverability of the intangible assets with a defined useful life discussed above, it is noted that the impairment test carried out by the Directors with the aid of an external expert did not reveal the existence of impairment and therefore the need to proceed with impairment losses.

With reference to this impairment test, it is specified that the Directors proceeded to determine the recoverable amount of the net assets of CY4Gate, excluding only the equity investments that were subject to a separate impairment test, as extensively described in paragraph 15 "Equity investments" of these notes, by estimating the value in use considering the flows expected based on the Business Plan prepared for the period 2024-2028, which reports the projections related to sales, investments, margins, as well as the trend of the main market variables (e.g. inflation, nominal interest rates and exchange rates). The value in use was determined using the discounted cash flow method, in the unlevered version, applied to the forecast data for the five-year period from 2024 to 2028. The cash flows used to determine the value in use relate to the operations of CY4Gate S.p.A. standalone, and do not include financial expense, notional taxes and non-recurring components; they include the investments provided for in the plans and cash changes attributable to working capital. As mentioned above, an explicit period of five years was used, beyond which the above flows were projected according to the method of the perpetual annuity (Terminal value) using a growth rate (g-rate) expected for the reference market of 2% corresponding to the ECB inflation growth forecasts in the medium-long term.

- The above financial cash flows were discounted using a pre-tax WACC of 11.55%. The plan underlying the above-mentioned impairment test was approved by the Board of Directors of the Company.

Furthermore, the following sensitivity was carried out:

- change of the WACC by 2.5%, 5%, 7.5% and 10%, that is a variation from 11.55% to 12.71%.
- growth rate from 2% to 1%.

Even in the sensitivity scenarios described above, there was no need to recognize an impairment of intangible assets with a defined useful life.

13.Property, plant and equipment

This item and its movement can be detailed as follows:

(in Euro)	Plant and machinery	Industrial and commercial equipment	Other assets	**Total**
Balance as of January 1, 2022	**26,236**	**105,406**	**577,600**	**709,242**
Of which:				
- historical cost	*53,292*	*406,900*	*1,047,068*	**1,507,260**
- accumulated depreciation	*(27,056)*	*(301,494)*	*(469,468)*	**(798,018)**
Investments	29,400	2,155	724,588	**756,143**
Depreciation	(14,647)	(57,914)	(254,480)	**(327,041)**
Balance as of December 31, 2022	**40,989**	**49,647**	**1,047,708**	**1,138,344**
Of which:				
- historical cost	*82,693*	*409,055*	*1,771,655*	**2,263,403**
- accumulated depreciation	*(41,704)*	*(359,408)*	*(723,947)*	**(1,125,059)**
Investments	-	2,137	261,342	263,479
Depreciation	(17,255)	(25,205)	(348,111)	(390,571)
Balance as of December 31, 2023	**23,734**	**26,579**	**960,939**	**1,011,252**
Of which:				
- historical cost	*82,692*	*411,192*	*2,032,997*	*2,526,881*
- accumulated depreciation	*(58,958)*	*(384,613)*	*(1,072,058)*	*(1,515,629)*

The item "Property, plant and equipment" as of December 31, 2023 amounts to Euro 1,011,252 and presents a net increase compared to the previous year of Euro 1,138,344 mainly attributable to:

- Investments for a total amount of Euro 263 thousand, mainly in other assets;
- depreciation amounting to Euro 391 thousand.

Regarding the recoverability of the item, the impairment test carried out by the Company's Directors with the help of an external expert, commented in the previous paragraph "Intangible Assets" of these notes, demonstrated the recoverability of the above mentioned item and therefore the non-existence of impairment losses to be recognized in the Financial Statements as of and for the year ended December 31, 2023.

14. Right-of-Use Assets

This item can be detailed as follows:

	As of December 31	
(in Euro)	**2023**	**2022**
Buildings	958,502	1,193,325
Hardware	34,588	78,489
Vehicles	204,548	117,013
Total	**1,197,638**	**1,388,827**

As of December 31, 2023 the amount of right-of-use assets in place amounted to Euro 1,197,638, mainly related to the rental of the Company's offices.

Below are the amounts included in the Statement of profit and loss for the year ended December 31, 2023 and 2022:

	For the year ended December 31	
(in Euro)	**2023**	**2022**
Depreciation of right-of-use assets	357,198	339,728
Short-term lease costs	1,025,484	893,041
Interest expense on lease contracts	15,209	8,254
Total	**1,397,891**	**1,241,023**

During the year, rents and leases were adjusted for Euro 356 thousand (Euro 322 thousand for the year ended December 31, 2022).

The depreciation period of the right-of-use assets is 6 years for buildings, 5 years for hardware and 4 years for cars. It should also be noted that the Company has chosen to exclude from the scope leases with a duration of less than 12 months and those for goods of modest value which are therefore recorded in the "Purchases, services and personnel expenses" item.

With reference to the recoverability of the right-of-use assets, the impairment test carried out by the Company's Directors with the help of an external expert, discussed in the previous paragraph "Intangible Assets" of these notes, has demonstrated the recoverability of the item and therefore the absence of impairment losses for the year ended December 31, 2023.

15. Equity Investments

The following table presents the movement of the "Equity investments" item as of December 31, 2023 and December 31, 2022:

(in Euro)	RCS ETM Sicurezza S.p.A.	Diateam S.a.S.	**Total**
Balance as of January 1, 2022	**-**	**-**	**-**
Investments	76,162,412	-	**76,162,412**
Balance as of December 31, 2022	**76,162,412**	**-**	**76,162,412**
Investments	-	5,631,442	**5,631,442**
Share-based payments	58,322	7,414	**65,736**
Balance as of December 31, 2023	**76,220,734**	**5,638,856**	**81,859,590**

Acquisition of Diateam S.a.S.

It should be noted that on January 30, 2023, following the preliminary agreement subscribed on October 20, 2022, the Company completed the acquisition of 55.33% of Diateam, a French company specialized in the design, development and implementation of advanced systems for testing, validation and training in the field of cyber security (i.e. cyber hybrid digital twin), for government and corporate customers, for a total consideration of Euro 5.5 million, consisting of:

- a fixed consideration of Euro 3.6 million;
- a variable consideration, for objectives related to the 2022 year (achieved by Diateam) amounting to Euro 1.6 million; this consideration is fully paid as of the date of these financial statements.

The acquisition was financed through the use of Euro 3.2 million from the Acquisition/Capex line subscribed in the previous year with a pool of banks. It should be noted that the acquisition contract also provides for a put and call mechanism that allows the Company to gain 100% control of Diateam by 2026. On the remaining 44.67% owned by the selling shareholders, put and call option rights are in fact provided, exercisable on 15.33% after the approval of the 2023 financial statements, on 14.67% after the approval of the 2024 financial statements and on the remaining 14.67% after the approval of the 2025 financial statements.

As of December 31, 2023 the Company proceeded to determine the *fair value* of these options, by implementing a Montecarlo type valuation model, from which a positive *fair value* of Euro 43 thousand emerged, recorded in the item "non-current financial assets" with counterpart in the statement of profit and loss, in the item "financial income".

Share-based payments

The increase in the carrying amount of the equity investments for share-based payments refers to the recognition of the expense for the year 2023 for the stock grant plan approved by the Company, also applicable to Directors and employees of the subsidiaries. Such expense, totaling Euro 66 thousand, was recognized as an increase in equity investments with a corresponding impact in the company's equity reserve.

Carrying amount

Please note that any difference between the carrying amount of the investment, measured at cost, and the amount of the equity of the investee can be attributed to the profitability of the acquired business or the synergies that are expected to be achieved from the integration of the investee within the Company.

The investments are measured at cost. We specify that, following the analyses carried out, the Directors have proceeded to determine the recoverable amount of each of the two equity investments registered through specific impairment tests. In this context, the related recoverable amount was determined by estimating the value in use, considering the forecasted flows based on the Business Plan of the RCS Group and the Diateam company, included in the Company's Business Plan for the period 2024-2028, which report the projections related to sales, investments, margins, as well as the trend of the main market variables (e.g., inflation, nominal interest rates and exchange rates). It is specified that for the preparation of the impairment tests, the Directors used the specific consultancy of an external expert.

The value in use was determined using the discounted cash flow method, in the unlevered version, applied to the forecast data for the five-year period from 2024 to 2028. The cash flows used for the determination of the value in use are related to the operations of the RCS Group and Diateam do not include financial expense, notional taxes and non-recurring items; they include the investments expected in the plans and cash changes attributable to working capital. As mentioned, a five-year explicit period was used, beyond which the above flows were projected using the perpetual annuity method (Terminal value) using a growth rate (g-rate) expected for the reference market is to 2% corresponding to the ECB inflation growth forecasts in the medium-long term.

The aforementioned financial cash flows have been discounted using a pre-tax WACC of 15.10% for Diateam and 12.06% for RCS. It is noted that the difference in rates is due to the additional risk of Diateam due to the reduced size of its respective business - small size premium.

The plans underlying the above-mentioned impairment test were approved by the Boards of Directors of the subsidiaries as well as the parent company.

Furthermore, the following sensitivity analyses have been carried out:

- for the stake in Diateam, in the event of a change in the WACC of 2.5%, 5%, 7.5% and 10%, i.e. a change from 15.10% to 16.61%, and a growth rate change from 2% to 1%;
- for the stake in RCS, in the event of a change in the WACC of 2.5%, 5%, 7.5% and 10%, i.e. a change from 12.06% to 13.27%, and a growth rate change from 2% to 1%.

Following the impairment test carried out on the basis of the considerations illustrated above, it is noted that the recoverable amount of each equity investment exceeds its carrying amount as of December 31, 2023 and this is also true in the sensitivity scenarios described above. For this reason, no impairment was necessary on investments in this year's financial statements.

16.Inventories

The item "Inventories", amounting to zero as of December 31, 2023 (Euro 33,250 as of December 31, 2022), is entirely related to finished products and goods.

17.Trade receivables

This item can be detailed as follows:

	As of December 31	
(in Euro)	**2023**	**2022**
From customers	22,421,479	24,599,560
From parents	5,727,691	5,524,590
From subsidiaries	5,532,069	4,035,254
Loss allowance	(658,671)	(611,044)
Total	**33,022,568**	**33,548,360**

	As of December 31	
(in Euro)	**2023**	**2022**
From customers (Italy)	28,129,823	26,909,404
From customers (outside Italy)	5,551,416	7,250,000
Loss allowance	(658,671)	(611,044)
Total	**33,022,568**	**33,548,360**

The following table presents the movement of the loss allowance:

(in Euro)	Loss allowance
Balance as of January 1, 2022	**(303,710)**
Accrual	(303,538)
Balance as of December 31, 2022	**(611,044)**
Accrual	(47,627)
Balance as of December 31, 2023	**(658,671)**

18.Other current and non-current assets

The item other current and non-current assets can be detailed as follows:

	As of December 31	
(in Euro)	2023	2022
Accrued income	700,867	518,728
VAT receivables	495,594	803,141
Tax receivables for capital expenditures	266,404	93,136
Tax receivables for research and development	512,789	880,816
Other current assets	420,156	440,624
Total other current assets	**2,395,810**	**2,736,445**
Tax receivables for capital expenditures	295,352	39,422
Tax receivables for research and development	327,579	648,858
Total other non-current assets	**622,931**	**688,280**

Please note that the items "Tax receivables for capital expenditures" and "Tax receivables for research and development" refer to tax receivables recognized following the conduct of a technical appraisal.

19.Cash and cash equivalents

As of December 31, 2023, cash and cash equivalents amount to Euro 2,579,157 (Euro 10,767,274 as of December 31, 2022) and are mainly composed of deposits in Euro with major financial institutions.

20.Current and non-current financial assets

This item can be detailed as follows:

	As of December 31		As of December 31	
	2023		2022	
(in Euro)	Current	Non-current	Current	Non-current
Deposits	-	40,000	-	21,000
Derivative financial instruments	196,071	128,276	196,071	430,274
Others	-	-	857,243	-
Total financial assets	**196,071**	**168,276**	**1,053,314**	**451,274**

The total current and non-current financial assets amount to Euro 364 thousand as of December 31, 2023, showing a decrease compared to the previous year of Euro 1,140 thousand. This decrease is mainly attributable, for Euro 857 thousand, to the collection of the financial assets claimed by the Company, within the framework of the acquisition of RCS ETM Sicurezza, from the sellers in relation to the agreed price adjustment in the contract of sale, in order to reflect the value of the actual net financial position and of the actual *trade working capital* at the calculation date.

The item "derivative financial instruments" item refers to i) hedging derivatives on interest rates subscribed to cope with the interest rate risk on loan contracts (these instruments will expire in 2027) and ii) the fair value of the *call option* held for the acquisition of 44.67% of the share capital of Diateam. For further information, please refer to Note 15.

21.Contract assets and liabilities

Contract assets include the net amount of activities carried out for amounts exceeding the payments on account received from customers. Similarly, contract liabilities accommodate the opposite case.

The net balance of contract assets is composed as follows:

	As of December 31	
(in Euro)	**2023**	**2022**
Gross contract assets	3,854,629	2,748,080
Contract liabilities	(241,000)	(65,000)
IFRS 9 Impairment provision	(4,549)	(4,553)
Contract assets	**3,609,080**	**2,678,527**
Gross contract liabilities	(428,018)	(404,300)
Contract assets	52,844	16,021
Contract liabilities	**(375,174)**	**(388,279)**
Total net amount	**3,233,906**	**2,290,248**

The increase in contract assets, amounting to Euro 931 thousand, mainly derives from the changes on work in progress contracts as of December 31, 2023.

22. Equity

Share Capital

As of December 31, 2023 and 2022, the Company's share capital, fully subscribed and paid up, amounts to Euro 1,441,500.

Other reserves and retained earnings

The item "Reserves" can be detailed as follows:

(in Euro)	**Other reserves**	**Retained earnings**	**Total reserves**
As of January 1, 2022	**(1,140,918)**	**6,228,486**	**5,087,568**
Actuarial losses on defined benefit plans	(61,389)	-	**(61,389)**
Fair value gains on cash flow hedges	476,022	-	**476,022**
Comprehensive income / (loss)	**414,633**	**-**	**414,633**
Allocation of previous year result	259,290	4,926,538	**5,185,828**
Capital increase transaction costs	(1,387,500)	-	**(1,387,500)**
As of December 31, 2022	**(1,854,495)**	**11,155,024**	**9,300,529**
Actuarial losses on defined benefit plans	(54,691)	-	**(54,691)**
Fair value losses on cash flow hedges	(262,299)	-	**(262,299)**
Comprehensive income / (loss)	**(316,990)**	**-**	**(316,990)**
Allocation of previous year result	-	4,528,088	**4,528,088**
Acquisition of treasury shares	(1,600,412)	-	**(1,600,412)**
Share-based payments	211,295	-	**211,295**
Other changes	8,429	-	**8,429**
As of December 31, 2023	**(3,552,173)**	**15,683,112**	**12,130,939**

The following table presents the items of equity as of December 31, 2023, detailed by origin, the possibility of use and distribution:

(in Euro)	As of December 31, 2023	Possibility of use*	Available quota
Share Capital	1,441,500		
Share Premium reserve	*108,539,944*	*A,B,C*	*108,539,944*
Other reserves	*(3,552,173)*	*A,B*	*355,592*
Total Other reserves	***104,987,771***		**108,895,536**
Retained earnings	15,683,112	*A,B,C*	15,683,112
Loss for the year	(11,104,148)		
Total equity	**111,008,235**		**124,578,648**

* Legend - A = for capital increase, B = for loss allowance, C = for distribution to shareholders, D = for other statutory constraints

Share-based payments

For more details regarding share-based payments, please refer to note 7 on personnel expenses.

23.Current and non-current financial and lease liabilities

The following table provides detail on the item as of December 31, 2023, and 2022:

As of December 31, 2023 *(in Euro)*	Within 12 months	Between 1 and 5 years	Over 5 years	**Total**
Bank loans and borrowings	3,788,798	12,967,017	-	16,755,815
Lease liabilities	349,159	864,750	-	1,213,909
Total	**4,137,957**	**13,831,767**	**-**	**17,969,724**

As of December 31, 2022 *(in Euro)*	Within 12 months	Between 1 and 5 years	Over 5 years	**Total**
Bank loans and borrowings	1,195,652	9,118,174	986,667	11,300,493
Lease liabilities	327,401	1,061,686	-	1,389,087
Total	**1,523,053**	**10,179,860**	**986,667**	**12,689,580**

The table below summarizes the information on bank loans and borrowings:

Lender	**Funding entity**	**Rate applied**	**Maturity date**	**Original principal amount**	**Carrying amount as of December 31, 2023**	**of which current**
"Bank pool" financing Line A	Credit Agricole, ICCREA	Euribor 6m + 200bp	03/29/2028	12,500,000	10,154,528	1,700,991
"Bank pool" financing Acquisition / Capex Line	Credit Agricole, ICCREA	Euribor 6m + 200bp	10/25/2024	5,555,052	5,555,052	1,041,572
Chirography Contract	BPER	Euribor 3m + 90bp	04/30/2025	1,000,000	1,000,000	1,000,000
Other	n.a.	n.a.	n.a.	n.a.	46,235	46,235
Total				**19,055,052**	**16,755,815**	**3,788,798**

Non-current financial liabilities mainly refer to:

- the portion beyond 12 months of the loan agreement subscribed with Credit Agricole Italia S.p.A., leader of a pool of credit institutions, for a maximum total amount of Euro 45,000,000 (the "Loan Agreement"), used as of December 31, 2023 for the sole portion dedicated to the partial financing of the acquisition in the previous year of the RCS Group (Line A) amounting to a total of Euro 12,500,000 accounted for a carrying amount of Euro 10,154,528, which takes into account the effect related to the application of the amortized cost criterion and the installments paid in the 2023 year based on the amortization plan provided for by the contract;
- the share beyond 12 months of the abovementioned loan agreement, used as of December 31, 2023 for the portion dedicated to the financing of the acquisition of Diateam SaS (Acquisition/Capex Line) amounting to a total of Euro 5,555,052;
- the short-term loan, for Euro 1,000 thousand, granted by BPER and subscribed by the Company during 2023.

The loan agreement subscribed with a pool of banks provides, for Line A, the repayment of the capital share by the relative due date, in 11 semi-annual installments according to the contractually agreed amortization plan.

Furthermore, CY4Gate will pay the interest accrued from time to time, for each interest period, on the amounts disbursed and not repaid, at an interest rate amounting to the EURIBOR 6M/360 rate increased by a spread of 225 b.p. for which a derivative was subscribed to cover 100% of the amount in terms of risk.

It is also noted that according to the loan agreement the margin that will be applied to the reference rate in relation to each line of financing, may vary semi-annually, increasing or decreasing, in relation to the variation of the “Net Financial Indebtedness/EBITDA (NFI/EBITDA)” (“financial covenant”) ratio calculated on the basis of the consolidated financial statements data, or of the consolidated half-yearly report, starting from a base ratio of 2x. The parent company, therefore, has committed to respect the aforementioned NFI/EBITDA financial parameter, accepting that the financing banks and the agent bank may take the actions and remedies contractually provided, among others the repayment of the amounts not yet paid and the relative interests, in the event that the initial financial situation at consolidated level does not comply with said parameter.
The compliance with the aforementioned financial parameter will be checked every six months on a "rolling" basis (i.e. with reference to the data related to the previous twelve months), starting from that relating to for the year ended on December 31,2022. This covenant was respected as of December 31,2023.
In addition, it should be noted that this loan agreement includes certain restrictions on the distribution of profits and/or dividends by the Company, in particular, the Company will not be able to distribute profits and/or dividends, nor make payments of any amount for any reason and in any form to its shareholders, except for payments under commercial contracts and/or employment relationships (including, for example, as payment of capital, interest or other benefits on shareholder loans, also in bond form, or as compensation for services rendered and/or management fees) (each operation, a "Distribution"), unless all the following conditions occur:

- the first Distribution is subsequent to the approval of the Issuer's financial statements closed on December 31, 2022;
- for the entire duration of the Loan Agreement, each Distribution does not exceed 50% (fifty percent) of the profits resulting from the Issuer's separate financial statements related to the year immediately before the one in which the related Distribution must be made;
- at the date of the Distribution there is no significant event and such Distribution does not in itself determine a Significant Event (as defined in the Loan Agreement).

The remaining part of the loan, currently not used, provides the possibility of activating the following lines of credit:

- Medium-long term Acquisition/Capex, usable for cash, up to a maximum of Euro 25,000,000 (the "Acquisition/Capex Line") for future investments and M&A operations;
- Medium-long term Revolving, usable for rotating-type cash, up to a maximum of Euro 7,500,000 (the "Revolving Line") intended to finance the cash needs related to the Company's treasury requirements.

Net financial indebtedness

The following table presents the details of the Net Financial Position, with the analysis of debit and credit positions towards related parties, according to Consob communication no. DEM/6064293 of July 28, 2006 and the Warning no. 5/21 issued by Consob on April 29, 2021 with reference to the ESMA Orientation 32-382-1138 of March 4, 2021.

	As of December 31			
(in Euro)	**2023**	*of which towards related parties:*	**2022**	*of which towards related parties:*
A. Cash	(2,579,157)	-	(10,767,274)	-
B. Cash equivalents	-	-	-	-
C. Other current financial assets	-	-	(857,243)	-
D. Liquidity (A+B+C)	**(2,579,157)**	**-**	**(11,624,517)**	**-**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	1.046.235	-	19.468	
F. Current portion of non-current financial debt	2.895.651	*244.994*	1.307.515	*233.171*
G. Current financial indebtedness (E+F)	**3.941.886**	***244.994***	**1.326.983**	***233.171***
Net current financial indebtedness (G+D)	**1.362.729**	***244.994***	**(10,297,534)**	***233.171***
H. Non-current financial debt (excluding current portion and debt instruments)	13.703.491	*729.725*	10.736.252	*964.971*
J. Debt instruments	-	-	-	-
K. Non-current trade and other payables	-	-	-	-
L. Non-current net financial indebtedness (I+J+K)	**13.703.491**	***729.725***	**10.736.252**	***964.971***
M. Total financial indebtedness (H+L)	**15.066.220**	***974.719***	**438.718**	***1.198.142***
N. Non-current financial assets	(40,000)	*(19,000)*	(21,000)	*(6,000)*
Net Financial Indebtedness (M+N)	**15.026.220**	***955.719***	**417.718**	***1.192.142***

The item "E. Current financial debt" includes the current portion of the items of the consolidated financial statements as of December 31, 2023 for loan debts (Euro 1,046 thousand).

The item "F. Current portion of non-current financial debt" includes the current portion of the item in the consolidated financial statements as of December 31,2023 relating to debts for financing (Euro 2,743 thousand), the current portion of the item in the consolidated financial statements as of December 31, 2023 relating to current lease liabilities (Euro 349 thousand), as well as the current portion of active derivative financial instruments (Euro 196 thousand).

The item "I. Non-current financial debt" includes the items in the consolidated financial statements as of December 31,2023 relating to non-current financial liabilities relating to debts for financing (Euro 12,967 thousand), to non-current lease liabilities (Euro 865 thousand), as well as the non-current portion of financial derivative assets (Euro 85 thousand).

The item "N. Non-current financial assets" corresponds to the item in the consolidated financial statements as of December 31, 2023 relating to non-current financial assets (Euro 168 thousand), excluding hedging derivative financial instruments classified in this item (Euro 85 thousand).

Lease liabilities

The item “lease liabilities” can be detailed as follows:

	As of December 31,	
(in Euro)	**2023**	**2022**
Buildings	974,790	1,211,586
Hardware	33,353	77,540
Vehicles	205,766	99,961
Total lease liabilities	**1,213,909**	**1,389,087**

24. Employee benefits

The item includes the provision for post-employment benefits (TFR) for the Company's employees.

TFR

The movement of the item can be detailed as follows:

(in Euro)	**2023**	**2022**
Balance as of January 1	**513,224**	**326,481**
Uses for indemnities paid and advances	(104,750)	(115,635)
Transfers to Pension Funds / Treasury / Taxation	(11,266)	-
Service costs	248,171	217,950
Interest expense	20,603	3,649
Actuarial gains	71,962	80,779
Balance as of December 31	**737,944**	**513,224**

The actuarial assumptions for calculation purposes for the determination of defined benefit pension plans are detailed in the following table:

	As of December 31	
	2023	**2022**
Economic assumptions		
Inflation rate	2.25%	2.70%
Discount rate	3.12%	3.65%
Salary growth rate	2.25%	2.70%

The demographic assumptions are based on actuarial expectations, in agreement with relevant and published sector statistical data, applied on the average of personnel in service during the periods.

The following is a *sensitivity analysis* related to defined benefit pension plans based on changes in the main assumptions as of December 31, 2023 and 2022:

As of December 31, 2023		**Impact on liability**	
(in Euro)	**Changes in assumptions**	**increase in assumptions**	**decrease in assumptions**
Economic assumptions			
Inflation rate	0.50%	19,945	876
Discount rate	0.50%	(13,982)	36,409
Salary growth rate	0.50%	20,013	1,195

As of December 31, 2022		**Impact on liability**	
(in Euro)	**Changes in assumptions**	**increase in assumptions**	**decrease in assumptions**
Economic assumptions			
Inflation rate	0.50%	4,846	(6,533)
Discount rate	0.50%	(15,390)	14,576
Salary growth rate	0.50%	5,213	(6,676)

The sensitivity reported above is conducted based on changes in individual assumptions, keeping the others unchanged, although in practice any changes in an assumption can generally also reflect in the others due to potential correlations. The sensitivity presented above was calculated using the same methodology (projected unit credit method) used to define the liability recognized in the Statement of Financial Position.

Through its defined benefit pension plans, the Company is exposed to certain risks, the most significant of which are described below.

Discount rate and inflation risk

The present value of defined benefit pension plans is calculated using a discount rate determined using the rate of *high quality corporate bond*. A decrease in the discount rate would result in an increase in the liability. A decrease in the inflation rate would result in a decrease in the liability.

Employee resignation and anticipation probability

The present value of defined benefit pension plans is calculated using the best estimate of resignations and advances. An increase in the rate of resignations and advances would result in an increase in the liability.

25. Provisions for risk and charges

The movement of the items can be detailed as follows:

(in Euro)	Product guarantee provision	**Total**
As of January 1, 2022	**300,745**	**300,745**
Accruals	122,111	122,111
Utilization	(75,878)	(75,878)
Releases	(224,867)	(224,867)
As of December 31, 2022	**122,111**	**122,111**
Accruals	78,660	78,660
Utilization	(122,111)	(122,111)
As of December 31, 2023	**78,660**	**78,660**

This item, amounting to Euro 79 thousand as of December 31, 2023 (Euro 122 thousand as of December 31, 2022) refers to product guarantee provision, mainly related to the sale of licenses for which a legal guarantee and/or a good functioning guarantee is provided.

26. Deferred tax assets and liabilities

The net movement of this item can be detailed as follows:

(in Euro)	**2023**	**2022**
Balance as of January 1	**2,088,149**	**716,696**
Of which:		
- deferred tax assets	*2,238,472*	*716,696*
- deferred tax liabilities	*(150,323)*	-
Effects on profit or loss	194,746	1,502,390
Effects on comprehensive income	100,102	130,936
Balance as of December 31	2,382,997	**2,088,149**
Of which:		
- deferred tax assets	2,450,489	*2,238,472*
- deferred tax liabilities	(67,492)	*(150,323)*

The item "Deferred tax assets" mainly refers to the deferred taxation recognized by the Company on IRES tax losses, as well as other temporary increases that are expected to be reversed in the coming years. Deferred tax assets are recognized following the assessment made by the Company's Directors about their full recoverability based on the future taxable income that will be realized in the coming years.

The item "Deferred tax liabilities" is entirely attributable to the recognition of deferred taxation related to the *fair value* of the hedging derivative financial instruments.

27.Trade payables

This item can be detailed as follows:

	As of December 31	
(in Euro)	**2023**	**2022**
Payables to suppliers	8,618,513	6,145,625
Payables to parents	485,727	694,810
Payables to subsidiaries	1,197,873	243,744
Total	**10,302,113**	**7,084,179**

Trade payables to the parents refer to the services provided by the parent company Elettronica S.p.A. mainly for canteen services and for ancillary services to the rental of the office building by the company CY4Gate S.p.A.

	As of December 31	
(in Euro)	**2023**	**2022**
Italy	7,120,264	5,788,424
Outside Italy	3,181,849	1,295,755
Total	**10,302,113**	**7,084,179**

28.Other current and non-current liabilities

This item can be detailed as follows:

	As of December 31	
(in Euro)	**2023**	**2022**
Accrued expenses and deferred income	447,636	242,664
Total other non-current liabilities	**447,636**	**242,664**
Accrued expenses and deferred income	1,124,193	498,370
Other liabilities	1,461,220	429,689
Employees	924,326	603,386
Social security and welfare institutions	405,215	385,110
Advances on grants	313,177	342,994
Total other current liabilities	**4,228,131**	**2,259,549**

29.Other Information

Guarantees

As of December 31, 2023, the following guarantees were given by the Company:

- surety bond (advance bond) issued by Creval in September 2018 for Euro 70,000 related to an active contract with an end user in a Middle Eastern country;
- A guarantee (bid bond) issued by Creval in October 2021 for Euro 30,000 for participation in a tender in a Middle Eastern country.

Below are described the pledges on equity investments made (or to be made) under the Loan Agreement subscribed on March 29, 2022 between CY4gate S.p.A. and RCS ETM Sicurezza S.p.A., following its adherence to the agreement, and a pool of lending banks led by Crédit Agricole Italia S.p.A.

- RCS Group: on March 29, 2022, CY4gate S.p.A., in its capacity as grantor, pledged in favor of Crédit Agricole Italia S.p.A., Creval S.p.A., ICCREA Banca S.p.A., Banca di Credito Cooperativo di Milano – Soc. Coop. (the "Lending Banks"), 100% of the share capital of Aurora S.p.A. to guarantee the correct, full and timely fulfillment of all present and/or future monetary obligations of CY4gate S.p.A. and RCS ETM Sicurezza S.p.A. towards the Lending Banks, arising in any way from the loan agreement subscribed on March 29, 2022 between CY4gate S.p.A. and RCS ETM Sicurezza S.p.A. and the Lending Banks. It should be noted that this pledge has been transferred to RCS following the reverse merger completed on November 15, 2022;
- RCS ETM Sicurezza Pledge: on March 29, 2022, Aurora S.p.A., in its capacity as grantor, pledged in favor of Crédit Agricole Italia S.p.A., Creval S.p.A., ICCREA Banca S.p.A., Banca di Credito Cooperativo di Milano – Soc. Coop. (the "Lending Banks"), 100% of the share capital of RCS ETM Sicurezza S.p.A., to guarantee the correct, full and timely fulfillment of the monetary obligations (within the limits expressly provided in the related pledge act) of CY4gate S.p.A. and RCS ETM Sicurezza S.p.A. towards the Lending Banks, arising in any way from the loan agreement subscribed on March 29, 2022 between CY4gate S.p.A. and RCS ETM Sicurezza S.p.A. and the Lending Banks;

Seasonality of the business

The business industry in which the Company operates is characterized by a marked concentration of deliveries and cash inflows from customers in the last three months of the year. This aspect of the inflows affects both the intra-annual cash flows and the variability of the Company's debt situation in different periods of the year, characterized by substantial improvements in the last few months of the calendar year.

Fees of the directors and statutory auditors

The following presents the fees of the Directors and Statutory Auditors of the Company for the year ended December 31, 2023 and 2022:

	For the year ended December 31	
(in Euro)	**2023**	**2022**
Directors' fees	308,406	262,410
Statutory auditors' fees	52,000	52,000
Total	**360,406**	**314,410**

Independent auditors' fees

Below, as required by art. 149-duodecies of the Implementation Regulation of Legislative Decree of February 24, 1998 n. 58 ("Consob Issuers Regulation"), the details of the fees to the Independent Auditor and the entities belonging to its network are reported. The fees presented in the table, for the year ended 2023, are those contracted, including any indexations (excluding out-of-pocket expenses and VAT).

(in Euro thousand)

Type of services	Entity that provided the service	Fees 2023
Audit	KPMG S.p.A.	104
Attestation services (*)	KPMG S.p.A.	168
Other services (**)	KPMG S.p.A.	15
Total		**284**

(*) The attestation services relate to (i) Comfort letter regarding translisting, (ii) review of the Sustainability Report, (iii) audit of the Prospectus of costs incurred for research and development activities and (iv) subscription of tax declarations

(**) The other services relate to gap analysis activities of the impacts arising from the potential adoption of IAS/IFRS standards by a subsidiary.

Transactions with Related Parties

The relationships maintained by the Company with related parties are mainly of a commercial and financial nature. The Company believes that all relations with related parties are regulated at market conditions.

The operations with related parties are specifically with Elettronica S.p.A., the RCS Group and Diateam S.a.S.. These relationships, which do not constitute atypical and/or unusual operations, are regulated by normal market conditions and follow a physiological development with respect for contractual commitments and payment conditions. Specifically, the contract assets (Euro 1,749 thousand) and the trade receivables (Euro 11,260 thousand) refer to the activities closely linked to the sales that the Company makes to the parent company for Euro 5,728 thousand and towards the subsidiaries for Euro 5,532 thousand, not yet collected at the reporting date.

The lease liabilities (Euro 975 thousand) refer to the properties leased by the parent company and used as offices. The contract liabilities (Euro 183 thousand) refer to the net balances for which the payments received from customers are higher than the services provided by the entity and which are presented among the liabilities in accordance with the requirements of the international accounting standards. Finally, trade payables (amounting to Euro 1,684 thousand) refer to the costs incurred for services provided by the parent company for Euro 486 thousand and for Euro 1,198 thousand by the subsidiaries. The balances recognized in profit or loss are directly linked to what above commented.

(in Euro)	Subsidiaries	Parent	**Total related parties**	**Total in financial statements**	**Impact (%)**
Impact of transactions on profit or loss					
Revenues and other income					
Year ended December 31, 2023	3.666.384	3.837.560	**7,503,944**	17,607,890	**43%**
Year ended December 31, 2022	4.522.383	3.368.827	**7,891,210**	26,760,194	**29%**
Raw materials					
Year ended December 31, 2023	(83,387)	-	**(83,387)**	461,430	**18%**
Year ended December 31, 2022	-	-	**-**	476,536	**-**
Personnel Expenses					
Year ended December 31, 2023	(543,489)	-	**(543,489)**	9,399,188	**6%**
Year ended December 31,2022	-	-	**-**	6,785,922	**-**
Services					
Year ended December 31, 2023	(32,525)	555.751	**523,226**	9,802,118	**5%**
Year ended December 31,2022	-	661.844	**661,844**	8,909,169	**7%**
Financial income (expense)					
Year ended December 31, 2023	3.465	-	**3,465**	1,266,420	**-**
Year ended December 31, 2022	-	-	**-**	776,924	**-**
Impact of transactions on the Statement of financial position					
Other non-current assets					
As of December 31, 2023	-	19.000	**19,000**	622,931	**3%**
As of December 31, 2022	-	6.000	**6,000**	688,280	**1%**
Trade receivables					
As of December 31, 2023	5.532.069	5.727.691	**11,259,760**	33,022,568	**34%**
As of December 31, 2022	4.035.254	5.524.590	**9,559,843**	33,548,360	**28%**
Right-of-use assets					
As of December 31, 2023	-	958.502	**958,502**	1,197,638	**80%**
As of December 31, 2022	-	-	**-**	1,388,827	**-**
Contract assets					
As of December 31, 2023	-	1.748.572	**1,748,572**	3,609,080	**48%**
As of December 31, 2022	-	1.295.339	**1,295,339**	2,678,527	**48%**
Lease liabilities					
As of December 31, 2023	-	974.719	**974,719**	1,213,909	**80%**
As of December 31, 2022	-	1.198.142	**1,198,142**	1,389,087	**86%**
Trade payables					
As of December 31, 2023	1.197.873	485.727	**1,683,600**	10,302,113	**16%**
As of December 31, 2022	243.743	694.810	**938,553**	7,084,179	**13%**
Contract liabilities					
As of December 31, 2023	-	182.823	**182,823**	375,174	**49%**
As of December 31, 2022	-	165.279	**165,279**	388,279	**43%**

Non-recurring, atypical and/or unusual significant events and operations

During 2023 no significant non-recurring, atypical or unusual operations were carried out, either with third parties, or with related parties. No further significant non-recurring events occurred during the year under review.

Impacts resulting from the macroeconomic situation

In the preparation of these Financial Statements as of and for the year ended December 31, 2023, in accordance with IFRS and the recent recalls of the financial market supervisory authorities, the Company has assessed the impact of the Russian invasion of Ukraine and the War in the Middle East on the financial position, performance and cash flows. As of the date of these Financial Statements, the Company is constantly monitoring the developments of these conflicts for the identification of further risks. At present, it is considered that there are no significant impacts on the Company's resources and business.

Supervisory priorities for 2023 financial information contained in the ESMA European Common enforcement priorities document

On October 25, 2023, ESMA published the supervisory priorities for 2023 financial reporting. These priorities include:

- *Climate Related Matters:* In this regard, it is specified that given the type of business of the Company, no significant impacts on the estimation and evaluation processes used by the Directors for the preparation of the financial statements described in the paragraph "Use of Estimates" of these notes are detected;
- *Refinancing and other financial risks*: in this regard, reference is made to what is reported in the paragraph "Risk management" of these notes;
- *Fair-value measurement and disclosure:* in this regard, reference is made to what is reported in the paragraph "Measurement of Fair Value" of these notes.

Information on public grants ex Law no. 124/2017

With reference to the transparency obligations required by art. 1 clauses from 125 to 129 of L. 124/2017, it is reported that in the year 2023 the Company did not cash in any government grants in accordance with the aforementioned rule.

30.Subsequent events

In January 2024, CY4Gate, in partnership with Alfa Group S.p.A., completed the acquisition of 97.8% of the share capital of IKS TN, an Italian cyber security company, operating in the field of information security and leader in combating digital fraud with a significant footprint in banking and also present in the gambling and automotive market. The Company acquired 77.8% of the share capital of IKS TN, while Alfa Group S.p.A. acquired 20%. The total consideration for the operation is Euro 12.7 million. At the date of these Financial Statements, 80% of the total consideration has been paid, 69.7% by CY4Gate while 10.3% by Alfa Group. The remaining 20% will be paid by June 30, 2027. With reference to the 20% amount, it is understood that it may decrease by up to a maximum of 20% based on the results of IKS TN as of and for the year ending December 31, 2026.

In the early months of 2024, the Company, as part of the treasury shares purchase program communicated to the market on April 27, 2023 and started on August 8, 2023, announces that it has purchased on the Euronext Milan Market - STAR Segment in the period between February 1, 2024 and February 27, 2024 included, a total of 194,740 treasury shares (corresponding to approximately 0.83% of the share capital), at an average price of approximately Euro 6.31 and for a total amount of Euro 1,229,755.39. Following these operations, the Company announces that on February 27, 2024 this program of treasury shares repurchase ended.

Proposal of the Board of Directors to the Shareholders' Meeting

Dear Shareholders,

The Board of Directors proposes you to:

- approve the financial statements as of and for the year ended December 31, 2023 of CY4Gate S.p.A. with a loss for the year of Euro 11,104,148;
- cover the loss for the year of Euro 11,104,148 with retained earnings.

Rome, March 14, 2024

On behalf of the Board of Directors

(Emanuele Galtieri)

This report has been translated into the English language solely for the convenience of international readers

Statement pursuant to article 154-bis, 2nd comma, of the legislative decree of February 24, 1998, no. 58, "Italian Consolidated Law on Financial Intermediation", and subsequent amendments

(Translation from the original Italian text)

1. The undersigned Emanuele Galtieri and Marco Latini, respectively Chief Executive Officer and Executive Responsible for Financial Reporting of Cy4gate S.p.A. hereby certify, also taking into account the provisions envisaged by Art. 154-bis, paragraphs 3 and 4, of the Legislative Decree no. 58 of February 24, 1998:

- the adequacy in relation to the characteristics of the company (also taking into account any changes occurred during 2023) and
- the effective application of administrative and accounting procedures for the preparation of the financial statements as of and for the year ended December 31, 2023 during 2023.

2. From the application of administrative and accounting procedures for the preparation of the financial statements as of and for the year ended December 31, 2023, no significant issue emerged.

3. It is also certified that:

3.1 the financial statements as of and for the year ended December 31, 2023:

a) are prepared in compliance with the applicable International Accounting Standards recognized in the European Community under Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002;
b) are consistent with the underlying accounting books and records;
c) provide a true and correct view of the operating result and financial position of the Company.

3.2 The Management Report includes a reliable analysis of the performance and results of operations, as well as the situation of the Company, together with a description of the main risks and uncertainties it is exposed to.

Rome, March 14, 2024

Chief Executive Officer Executive Responsible for the Financial Reporting

KPMG S.p.A.
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(The accompanying translated separate financial statements of CY4Gate S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
CY4Gate S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of CY4Gate S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of CY4Gate S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of investments in subsidiaries

Notes to the separate financial statements: notes 2.2 "Valuation criteria - Equity investments", 4 "Estimates and assumptions" and 15 "Equity investments"

Key audit matter	Audit procedures addressing the key audit matter
In the caption "Equity investments" of €81,860 thousand, the separate financial statements at 31 December 2023 include investments in subsidiaries recognised at cost. The directors identified indicators of impairment and, with the assistance of an external expert, tested these equity investments for impairment, checking their recoverability by comparing their carrying amounts with their value in use calculated using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: • the investees' expected cash flows, calculated by taking into account the general economic performance and that of their sector, the cash flows generated in recent years and the projected growth rates; • the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of the carrying amount of investments in subsidiaries is a key audit matter.	Our audit procedures included: • understanding the process adopted for impairment testing approved by the company's board of directors; • understanding the process adopted to prepare the 2024-2028 business plan approved by the company's board of directors (the "2024-2028 plan") from which the investees' expected cash flows used for impairment testing have been derived; • analysing the reasonableness of the assumptions used by the directors and the external expert to prepare the impairment test; • analysing the most significant discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; • comparing the cash flows used for impairment testing to the investees' cash flows forecast in the 2024-2028 plan and analysing any discrepancies; • involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; • assessing the appropriateness of the disclosures provided in the notes about the measurement of investments in subsidiaries.

Recoverability of intangible assets

Notes to the separate financial statements: notes 2.2 "Valuation criteria - Intangible assets", 4 "Estimates and assumptions" and 12 "Intangible assets"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2023 include intangible assets with finite useful life of €16,102 thousand under the caption "Intangible assets". The directors identified indicators of impairment and, with the assistance of an external expert, tested these intangible assets for impairment, checking their recoverability by comparing their carrying amounts with their value in use calculated using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about:	Our audit procedures included: • understanding the process adopted to prepare the impairment test approved by the company's board of directors; • understanding the process adopted for preparing the 2024-2028 business plan approved by the company's board of directors (the "2024-2028 plan") from which the expected cash flows used for impairment testing have been derived; • analysing the reasonableness of the assumptions used by the directors and the external expert to prepare the impairment test;

Key audit matter	Audit procedures addressing the key audit matter
• the company's expected cash flows, calculated by taking into account the general economic performance and that of its sector, the actual cash flows for recent years and the projected growth rates; • the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of the carrying amount of intangible assets is a key audit matter.	• analysing the most significant discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; • comparing the cash flows used for impairment testing to the company's cash flows forecast in the 2024-2028 plan and analysing any discrepancies; • involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; • assessing the appropriateness of the disclosures provided in the notes about the measurement of intangible assets.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 27 April 2023, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2023 to 31 December 2031.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2023 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 28 March 2024

KPMG S.p.A.

(signed on the original)

Marco Mele
Director of Audit