CY4GATE S.P.A.

INTERIM FINANCIAL REPORT

AT 30 JUNE 2023

Approved by Boards of Directors on September 13th

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

CY4GATE GROUP

Details of the parent

CY4Gate S.p.A.

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

Fully paid-up share capital of €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 which approves the separate financial statements at 31 December 2031

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FINANCIAL PERFORMANCE AND KEY PERFORMANCE INDICATORS

The group's results for the first six months of 2023 confirm its strong growth path with intense development of its business at home and abroad with government and corporate customers. Its revenue has improved on the corresponding period of the previous year in line with the group's strategic development plan.

Revenue for the period was very satisfactory, demonstrating the strength, robustness and scalability of the group's business model, leveraging technological solutions that meet even the toughest requirements of the cyber intelligence and cyber security market. The group's revenue is historically concentrated in the second half of the year and, in particular, in the last quarter.

The group's profitability improved compared to the same period of the previous year (adjusted EBITDA +2%), despite the considerable investments, especially in qualified personnel in the technical departments made since last year, essential for the ongoing development of the products to maintain their cutting-edge in order for the group to achieve its objectives.

On 26 June 2023, the CY4Gate Group completed its translisting and trading of the parent's shares started on the Euronext STAR Milan segment of the Italian regulated stock market, after having received authorisations from Borsa Italiana (the Italian stock exchange) and Consob (the Italian Commission for listed companies and the stock exchange) on 19 and 21 June 2023, respectively. The translisting costs incurred during the period approximated €1.8 million.

The progress on the integration of the Aurora Group, a market leader in the forensic intelligence segment, and the acquisition of 55.33% of Diateam, a specialist in the design and development of technologies applied to cyber security, which was completed in January 2023, confirm the group management's objective to complete the journey to build a national champion in the cyber intelligence and cyber security sector. The intention is to develop a portfolio of proprietary products to provide an integrated response to the important digital transformation and cyber security requirements and to create significant technical development synergies to consolidate and strengthen the group's entire offering.

The acquisition agreement provides for put and call options that may be exercised from 2024 to 2026 and would allow Cy4Gate to acquire 100% of Diateam's share capital.

KEY PERFORMANCE INDICATORS

The parent's management assesses the group's performance using certain measures that are not envisaged by the IFRS. Specifically, it uses EBITDA as the main profitability indicator as it provides a snapshot of the group's profitability, after eliminating the effects of any volatility caused by non-recurring, exceptional or atypical events. The alternative key performance indicators and their composition are described below:

- **adjusted EBITDA,** which is calculated by adjusting the profit or loss for the reporting period to exclude income taxes, net financial income (expense), amortisation, depreciation, net impairment losses on financial assets as well as non-recurring transaction costs related to the acquisition of 100% of Aurora S.p.A. (now RCS Group) and of an investment in Diateam (the "acquisitions");
- **EBIT,** which is calculated by adjusting the profit or loss for the reporting period to exclude income taxes and net financial income (expense);
- **adjusted EBIT,** which is calculated by adjusting the profit or loss for the reporting period to exclude income taxes, net financial income (expense), non-recurring transaction costs related to the acquisitions and amortisation arising from the purchase price allocation (PPA) procedure due to the allocation of part of the consideration transferred to Aurora S.p.A.'s intangible assets;

- **adjusted EBITDA margin,** which is the adjusted EBITDA, calculated as described above, as a percentage of total revenue;
- **net financial position (indebtedness),** which is calculated by subtracting cash and cash equivalents and current financial assets from current and non-current liabilities. If the group identifies atypical events and/or events linked to non-recurring transactions that affect its net financial position (indebtedness), it also presents its adjusted net financial position (indebtedness) to exclude the effects of these events or transactions.

The group deemed it appropriate to present these performance indicators at group level to show its financial performance net of non-recurring, atypical or unusual events.

They are based on the group's key figures less non-recurring income and expense that are not strictly related to its core business and, therefore, they facilitate a better comparison with the group's performance in previous periods.

The main variations that affected the group's performance compared to the same period of the previous year are shown below:

RECLASSIFIED STATEMENT OF PROFIT OR LOSS

	Six months ended	
(€)	**30/06/2023**	**30/06/2022[1]**
Revenue	33,096,965	16,035,122
Other revenue and income	989,417	666,079
Total revenue	**34,086,382**	**16,701,202**
Purchases, services and other operating costs	14,418,477	6,762,806
Personnel expenses	16,846,686	8,731,380
R&D expenditure	(2,699,650)	(1,120,387)
Costs	**28,565,513**	**14,373,800**
Adjusted EBITDA	**5,520,869**	**2,327,402**
Adjusted EBITDA margin	**16%**	**14%**
Amortisation, depreciation, net impairment losses on financial assets and provisions	6,185,035	3,615,152
Adjusted EBIT	**(664,166)**	**(1,287,750)**
Non-recurring costs	2,440,767	2,432,248
Amortisation related to the PPA procedure	2,045,428	1,022,714
EBIT	**(5,150,361)**	**(4,742,711)**
Net financial expense	(917,067)	(308,717)
Income taxes	3,224,554	719,396
Loss for the period	**(2,842,874)**	**(4,332,032)**
including profit attributable to non-controlling interests	***392,709***	***95,446***
Basic loss per share	**(0.12)**	**(0.18)**

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1 The H1 2022 figures have been restated following the completion of the fair value measurement of the RCS Group's assets and liabilities in the last quarter of 2022. The RCS Group has been consolidated since 31 March 2022.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(€)	30/06/2023	31/12/2022
Non-current assets	**82,601,508**	**70,124,338**
Inventories	485,312	777,399
Net contract assets (liabilities)	2,668,545	(957,088)
Trade receivables	63,875,431	64,488,220
Trade payables	(13,302,914)	(10,571,286)
OPERATING WORKING CAPITAL	**53,726,374**	**53,737,245**
Other liabilities, net	(404,493)	(4,383,805)
NET WORKING CAPITAL	**53,321,881**	**49,353,440**
NET INVESTED CAPITAL	**135,923,389**	**119,477,778**
Cash and cash equivalents	10,822,780	19,885,505
Financial assets	1,734,848	1,807,337
Financial liabilities	(19,506,964)	(15,379,687)
Lease liabilities	(3,852,726)	(3,251,144)
Adjusted net financial position (indebtedness)	**(10,802,062)**	**3,062,011**
Adjustments for atypical events and/or non-recurring transactions	**(5,439,676)**	
Equity	**(119,681,652)**	**(122,539,788)**
Total sources of funding	**(135,923,390)**	**(119,477,778)**

Revenue totals €34.1 million, up by 104% on H1 2022 (€16.7 million). This jump is mainly a result of:

- the consolidation of the RCS Group starting from 31 March 2022; therefore, the comparative figures include its results solely for the second quarter of 2022;
- the acquisition of control over Diateam on 1 January 2023; therefore, the acquiree's results are only included for the first half of 2023;
- the strong performance achieved in the first six months of 2023 despite the large impact of the seasonality factor of the group's business segment. These results were undoubtedly driven by the B2G forensic intelligence segment, which is rapidly gaining ground in the international market, making the group one of the leading European players.

Total costs approximate €28.6 million compared to €14.4 million for the first half of 2022. The upturn is mostly due to the increase in:

- the cost of raw materials and services, due to the fact the comparative figures include the RCS Group's costs solely for the second quarter of 2022 and the costs of the newly-acquired Diateam only affect the first half of 2023.
- personnel expenses, due to the large investments made to strengthen the group's post-acquisition structure, especially in the engineering and sales departments in order to allow the group to enter new markets and support the expected growth in revenue.

Adjusted EBITDA, net of one-off costs of €2.4 million (substantially in line with the H1 2022 figure), which mainly relate to the translisting, amounts to €5.5 million (€2.3 million in H1 2022) and the adjusted EBITDA margin is 16%. This confirms the group's improved profitability compared to the same period of the previous year (+2%).

EBIT is a negative €5.2 million (negative €4.7 million in H1 2022). Specifically, the operating loss is negatively affected by larger amortisation, depreciation and provisions due to the investments made to support business growth and the PPA procedure, which increased the carrying amount of the RCS Group's net assets acquired by allocating the difference between their fair value and the consideration transferred thereto (€2 million).

Net financial expense approximates €0.9 million compared to €0.3 million for the first half of 2022. The increase is mostly due to interest expense on loans and borrowings (€0.6 million).

The net income tax benefit of €3.2 million is mostly a result of the recognition of deferred tax assets, principally on tax losses and the release of deferred tax liabilities related to the PPA procedure.

As a result, the group made a loss of €2.8 million for the period compared to €4.3 million for the first half of 2022.

Equity amounts to €119.7 million (€122.5 million at 31 December 2022).

The group has **adjusted net financial indebtedness** of €10.8 million (financial liabilities higher than financial assets). This is mostly related to the use of cash during the first few months of the year due to the significant seasonal nature of the group's business. Moreover, the balance of cash and cash equivalents at the reporting date is affected by the delayed payments for certain projects already delivered to customers, which were initially expected to be received before the period end and were instead received in the first few days of July 20023 (about €4 million). Financial liabilities of €19.5 million are mainly composed of the outstanding financing for part of the consideration transferred for the acquisition of the RCS Group (€11 million), as well as the amount drawn down from the capex/acquisition facility which fully funded the Diateam acquisition completed on 30 January 2023 (€5.5 million).

Lastly, the adjusted net financial indebtedness excludes the financial liability of €5.4 million recognised under the anticipated acquisition method adopted by the group as a balancing entry to goodwill in order to reflect the present value of the liability for the put option provided for by Diateam's acquisition agreement. The non-controlling investors may exercise it from 2024 to 2026.

NET FINANCIAL INDEBTEDNESS

As required by Consob communication no. DEM/6064293 of 28 July 2006 and in accordance with its call for attention no. 5/21 of 29 April 2021 referring to the ESMA guidelines no. 32-382-1138 of 4 March 2021, the group's net financial indebtedness is broken down in the following table:

(€)	30/06/2023	*of which: with related parties*	31/12/2022	*of which: with related parties*	Variation
A. Cash	10,822,780		19,885,505		(9,062,725)
B. Cash equivalents	0		0		
C. Other current financial assets	181,177		1,028,328		(847,151)
D. Liquidity (A+B+C)	**11,003,956**		**20,913,833**		**(9,909,877)**
E. Current financial debt	(3,125,495)		(1,323,625)		(1,801,870)
F. Current portion of non-current financial debt	(3,564,061)	*239,961*	(3,198,853)	*233,171*	(365,208)
G. Current financial indebtedness (E+F)	**(6,689,556)**		**(4,522,478)**		**(2,167,078)**
H. Net current financial position (G+D)	**4,314,400**		**16,391,355**		**(12,076,955)**
I. Non-current financial debt	(21,417,416)	*844,158*	(13,374,094)	*964,971*	(8,043,322)
J. Debt instruments	0		0		
K. Non-current trade and other liabilities	0		0		
L. Non-current financial indebtedness (I+J+K)	**(21,417,416)**		**(13,374,094)**		**(8,043,322)**
M. Total financial position (indebtedness) (H+L)	**(17,103,016)**		**3,017,261**		**(20,120,277)**
N. Non-current financial assets	861,277		44,750		816,527
Net financial position (indebtedness) (M+N)	**(16,241,738)**		**3,062,011**		**(19,303,749)**
O. Adjustments for atypical events and/or non-recurring transactions	5,439,676		**0**		**5,439,676**
Adjusted net financial position (indebtedness) (M+N+O)	**(10,802,062)**		**3,062,011**		**(13,864,073)**

Caption "C. Other current financial assets" includes the caption "Current financial assets" of these condensed interim consolidated financial statements (€453,386), excluding the derivatives classified therein (€272,209).

Caption "E. Current financial debt" includes the current portion of the following captions of these condensed interim financial statements: other loans and borrowings (€254,930), other bank facilities (€180,845) and bank loans and borrowings (€967,729).

Caption "F. Current portion of non-current financial debt" includes the current portion of the following captions of these condensed interim financial statements: bank loans and borrowings (€2,207,490), current lease liabilities (€1,202,342) and derivative assets (€272,209).

Caption "I. Non-current financial debt" includes the non-current portion of the following captions of these condensed interim financial statements: bank loans and borrowings (€15,895,967), put option liabilities (as per the Diateam acquisition agreement, €5,439,676), lease liabilities (€2,650,384) and derivative assets (€420,184).

Caption "N. Non-current financial assets" includes the caption "Non-current financial assets" of these condensed interim consolidated financial statements (€1,281,462), excluding the derivatives classified therein (€420,184).

The group's net financial position of €3,062,011 at the previous year end decreased by €13,864,073 to net financial indebtedness (financial liabilities exceeding financial assets) of €10,802,062 at the reporting date.

Such worsening is mainly due to the combined effect of:

- a €9,062,725 decrease in cash and cash equivalents, mainly due to the unavoidable use of cash during the first part of the year due to the seasonal nature of the group's business and the delayed collection of payments for certain important contracts, which were collected in July 2023;
- an €10,210,400 increase in loans and borrowings, mainly due to the amount drawn down from the capex facility to fully fund the consideration for the acquisition of 53.33% of Diateam and the recognition of the liability for the put option that the non-controlling investors may exercise from 2024 to 2026 under the acquisition agreement.

The adjustments for atypical events and/or non-recurring transactions include the financial liability recognised under the anticipated acquisition method adopted by the group as a balancing entry to goodwill in order to reflect the present value of the liability for the put option provided for by Diateam's acquisition agreement. The non-controlling investors may exercise it from 2024 to 2026.

HUMAN RESOURCES

With respect to the group's workforce, it should be noted that the group fully complies with the regulations about the workplace environment and hygiene as well as any applicable foreign local regulations. A breakdown of its employees at the reporting date and changes during the period are shown in the following table:

BREAKDOWN OF AND CHANGES IN WORKFORCE

	Managers	Junior managers	White collars	Apprentices	Other	Total
31.12.2022	**22**	**52**	**332**	**35**	**1**	**442**
Diateam acquisition	2	17	4	5		**28**
New hires (+)		8	45	14		**67**
Promotions	1	(1)				**-**
Departures (-)	(3)	(8)	(25)	(8)		**(44)**
30.06.2023	**22**	**68**	**356**	**46**	**1**	**493**

	Managers	Junior managers	White collars	Total
Average Number of Employees	22.3	64.69	393.11	480.1

KEY EVENTS OF THE PERIOD

DIATEAM ACQUISITION

As announced on 20 October 2022 and in accordance with the parent's board of directors' resolution of3 October 2022, following the satisfaction of the conditions precedent already communicated to the market, including the completion of the authorisation process by the competent French authorities (in accordance with the golden power regulations that are applicable to the transaction), on 31 January 2023, the parent completed the acquisition of 53.33% of Diateam SAS, a French company specialised in the design, development and implementation of advanced testing, validation and training systems in the cyber security domain for government and corporate customers.

The consideration transferred of €5.5 million was agreed on the basis of an enterprise value of roughly €10 million, as well as the continued involvement of the operating shareholders in the management team. The agreement provides for an earn out based on the 2022 EBITDA, 2022 turnover and the adjusted net financial position at the closing date (€2.2 million). The purchase agreement provides for (i) put and call options that may be exercised from 2024 to 2026 and would allow Cy4Gate to obtain 100% of Diateam's share capital and (ii) certain clauses that grant certain rights to non-controlling investors and protect the acquired business' value in the long term, as well as the operating shareholders' commitment to staying with the acquiree and a non-competition agreement with all sellers.

The strategic decision to invest in Diateam aims to expand CY4Gate's offering in the cyber security segment based on a technology that is not available in Italy and has few equals in Europe and to consolidate the group outside the domestic market thanks to upselling and cross-selling opportunities with customers in portfolio. Moreover, technological and professional synergies will enhance the know-how of both companies as well as integrate and enrich the group's customer value proposition throughout the cyber security value chain.

NEW CONTRACTS ACQUIRED

- On 9 February 2023, the parent signed an important foreign 36-month contract worth €9,000,000 to provide decision intelligence systems.
- On 14 February 2023, the parent was awarded contracts for the supply of its proprietary modern SIEM RTA solution and for its verticalisation and integration to protect both government bodies and companies. These one-year contracts are worth approximately €1.3 million.
- On 2 March 2023, the parent was awarded three important contracts by institutional customers in Italy and abroad worth roughly €5.7 million.
- On 28 June 2023, the parent signed an important foreign 12-month contract worth €5.4 million to provide cyber intelligence systems to major institutional customers.

COMPLETION OF THE TRANSLISTING PROCESS AND CONSEQUENT LISTING ON THE EURONEXT STAR MILAN SEGMENT

On 19 June 2023, Borsa Italiana approved the listing of the parent's ordinary shares on the Euronext STAR Milan segment of the market it organises and manages with measure no. 8956. With the same measure, it ordered the concurrent delisting of the parent's ordinary shares from the Euronext Growth Milan segment. On the same day, CY4Gate applied for listing its ordinary shares on the Euronext STAR Milan segment of the Italian stock exchange.

On 21 June 2023, Consob authorised the publication of the prospectus for the listing of the parent's ordinary shares on the Euronext STAR Milan segment with document no. 0058506/23. Consob's authorisation of the prospectus followed Borsa Italiana's measure approving the listing of the parent's ordinary shares on the Euronext STAR Milan segment (ISIN IT0005412504).

On 22 June 2023, Borsa Italiana issued notice no. 24453, approving the commencement of trading of the parent's ordinary shares on the Euronext STAR Milan segment (ISIN IT0005412504) as of Monday, 26 June 2023. On the same date, the parent's ordinary shares were delisted from the Euronext Growth Milan segment.

EVENTS AFTER THE REPORTING PERIOD

On 4 July, upon completion of a series of business development campaigns, the parent acquired several one-year contracts for the supply of cyber security and forensic intelligence products, mainly in Italy, worth almost €6.3 million.

On 12 July, the parent and Reco 3.26, an Italian company specialised in image recognition and video analysis that offers innovative and customised vision intelligence solutions for public and private entities, signed a strategic agreement for an artificial intelligence solution applied in the field of video analysis and computer vision. With this agreement, Cy4Gate has acquired the exclusive right to use the technology in the national Law Enforcement Agencies sector.

On 26 July, the director Enrico Peruzzi resigned and the parent replaced him with Alessandro Chimenton. On the same day, subject to the favourable opinion of the nomination and remuneration committee, the parent's board of directors resolved the free allocation of 427,500 rights, valid for the assignment of one ordinary share of CY4Gate S.p.A. for each right exercised, to certain key management personnel of the parent and its subsidiaries. The rights may be exercised in compliance with the terms and conditions set out in the 2023-2025 stock grant plan. Specifically, under this three-year share-based incentive plan, the rights will vest if the following conditions are met:

- an annual business and financial target (45% of the total awards, 15% for each plan year);
- an annual ESG target (15% of the total awards, 5% for each plan year);
- a three-year share performance target (40% of the total awards).

The plan also envisages an extra-bonus target, should the three-year target be exceeded.

On 2 August, CY4Gate and JAKALA, a MarTech company leader in digital transformation, announced that they collaborated on the development of ProntoCyber®: the first e-commerce platform for cybersecurity designed for professionals, SMEs and large enterprises. This is an ambitious project that sees JAKALA's digital skills at the service of Cy4Gate's know-how on the cyber domain, creating a solution that fits into the Company's strategic portfolio and which aims to address and solve the needs in terms of cyber security for the market segment of professionals and SMEs, particularly exposed to cyber risks and poorly prepared from a cyber resilience point of view, due to their shortage of skills and funds to invest in suitable technologies and services.

On 8 August, further to the shareholders' approval resolved at their meeting of 27 April 2023, the parent's board of directors launched an own share buy-back programme. To this end, on 31 July 2023, the parent signed a share buy-back agreement with Equita SIM S.p.A., which will independently purchase its own shares in accordance with the parameters and criteria contractually stipulated and in compliance with the restrictions imposed by the applicable legislation, including Regulation (EU) no. 596/2014 (the market abuse regulation) and the terms of the shareholders' resolution. The main objectives of the programme are i) holding treasury shares to service the incentive plans for the parent's directors, employees or consultants entailing the holding or assignment of shares or financial instruments convertible into shares and (ii) holding a treasury share portfolio to be used, in line with the parent's strategic plan, to service any non-recurring transactions and/or as consideration in non-recurring transactions, including equity investment exchanges, with other parties, in which the parent is interested. Reference should be made to the "Investor relations" section of the parent's website www.cy4gate.com for additional information.

OUTLOOK

The group intends to continue its organic and inorganic growth journey by focusing its strategy on the constant upgrading and development of its proprietary solutions, thus confirming its product-oriented mission. Specifically, its strategy will hinge on the following pillars:

- Products: evolution of cyber intelligence and cyber security products to incorporate increasingly cutting-edge functions and a greater level of automation thanks to the use of composite artificial intelligence, thus allowing integration and synergies with all the group's proprietary products that are entirely developed in Italy. The group's objective is to have a product portfolio that is increasingly integrated and able to offer not just a product but also turnkey cyber capabilities and design solutions to customers. In this respect, important new capacities will be released within the year end:

    i. cyber security: the next-generation SIEM RTA product will be cloud-enabled and, therefore, will allow sales to be implemented on SaaS, helping the company to speed up the sales process, streamline installations making after-sales activities easier and reach a broader base of potential buyers among both high-end and medium/small businesses, the latter with targeted products;

    ii. decision intelligence: new capacities will be integrated that will make the product Quipo's ability to collect significant amounts of data and related analysis even more effective for forensic purposes and with the use of specific artificial intelligence algorithms to support the entire intelligence cycle. This functionality will supplement those already launched (image recognition in partnership with ReCo and speech recognition and speech-to-text in partnership with Almawave).

- Market development: the group will continue to grow its footprint in the domestic market with a more robust sales force structure, while also promoting the internationalisation of all solutions offered.

- Customers: the group will ensure the strong diversification and expansion of the customer base, particularly in the corporate market, through commercial partnerships with suppliers, distributors and VARs as well as with other national and international operators;

- Non-recurring transactions: the group will ensure structured business growth in the cyber security sector, confirming its intention to create a European centre of excellence in this specific domain.
- Marketing and communication: boosting brand awareness with specific reference to cybersecurity and decision intelligence solutions in Italy and abroad.

The group's reference markets are expected to continue to see significant growth in the coming years. Specifically, the cyber intelligence market is a key contributor to the group's order and revenue growth, compensating the expected increase in funding for cyber security from the EU and the National Recovery and Resilience Plan that has not yet released the full potential to be obtained from the incentives available for the digital transformation of the national production system and the consequent need to upgrade infrastructures so that digitisation goes hand in hand with the raising of cyber security levels.

The assumptions about the group's revenue growth over the next three years are based on:

- the consolidation and further increase in contracts with corporate and government customers using the existing proprietary products;
- the development of further functionalities and integrations among the existing cyber products;
- expansion into foreign markets.

Over the last few years, the group has successfully achieved its set strategic objectives: i) to become the leader in the domestic law enforcement market; ii) to acquire and hone great expertise in "made in Italy" cyber products and technologies; iii) to develop brand awareness and visibility in its reference market (cyber intelligence and cyber security); and iv) to extend its foreign footprint (through both organic growth and M&As).

MAIN RISKS AND UNCERTAINTIES

Risk management

The group is exposed to financial risks and specifically:

- interest rate risk, arising from the group's financial exposure;
- currency risk, arising from transactions carried out in currencies other than its presentation currency;
- liquidity risk, related to the availability of financial resources and access to the credit market;
- credit risk, related to normal commercial transactions or financing activities;

The group carefully monitors each of the above financial risks and acts promptly to minimise them, resorting to hedging instruments when appropriate.

Currency risk

The group operates in countries outside the Eurozone and is thus exposed to the risk that exchange rates may fluctuate significantly with the risk that revenue and costs denominated in currencies other than the Euro may change in value compared to when the prices were agreed.

At the reporting date, the group does not have currency hedges as its exposure to this risk is immaterial and it only has financial liabilities denominated in Euros.

Liquidity risk

Liquidity risk refers to the risk that the group is unable to meet its financial obligations deriving from contractual commitments and, more generally, its short-term financial commitments which, in a worst case scenario, could lead to insolvency jeopardising the group's business. The main factors contributing to liquidity risk are, on the one hand, the generation and/or utilisation of cash by the group's operating and investing activities and, on the other, the due dates of its loans and borrowings and investments as well as financial markets' contingent situations. The group aims to have sufficient liquidity on hand to cover its financial requirements. It regularly monitors and manages its cash flows, financing needs and liquidity to ensure the efficient and effective deployment of its financial resources.

At the reporting date, financial liabilities, excluding lease liabilities recognised in accordance with IFRS 16, amount to €19,506,964 and include non-current and current financial liabilities of €15,895,968 and €3,610,996, respectively.

Credit risk

Credit risk refers to the company's exposure to the possible risk of default by its counterparties.

The group is exposed to the risk that a customer may delay or not comply with its payment obligations at the agreed terms and conditions and that its internal credit assessment and customer solvency assessment procedures are inadequate to ensure collection. Such non-collection of its trade receivables could adversely affect the group's financial position, financial performance and cash flows.

To mitigate this risk, the parent checks its customers' credit quality using internal or external credit scoring and sets credit limits which are checked regularly. Moreover, credit risk can be considered to be immaterial given that its customers include the shareholder Elettronica S.p.A. and public sector entities.

Interest rate risk

In accordance with article 2428.6-bis of the Italian Civil Code, it is noted that the group takes decisions about financing and investing transactions in line with prudence and risk limitation criteria. It has not entered into speculative transactions. It hedges financial risk, and specifically interest rate risk, by entering into interest rate swaps in order to hedge the risk of fluctuations in the interest rates applied to its variable rate loans. At the reporting date, it has entered into three interest rate swaps.

These interest rate swaps are as follows:

Bank	Agreement date	Maturity date	Reference principal	Outstanding principal	Fair value at 30.06.23
UNICREDIT	22/12/2020	29/12/2023	1,500,000	250,000	3,844.32
INTESA	14/04/2020	15/12/2023	1,725,000	287,500	5,624
INTESA	25/06/2021	25/06/2025	2,813,751	1,505,352	66,670
ICCREA	24/05/2022	29/03/2028	5,000,000	5,000,000	241,962
CREDIT AGRICOLE	24/05/2022	29/03/2028	7,500,000	7,500,000	374,293

The above interest rate swaps qualify as hedges and their effect on the loss for the period solely relates to the recognition of the interest rate differentials accrued at the reporting date. At 30 June 2023, the group recognised hedging derivatives at fair value under assets in the statement of financial position for €692,393, with a balancing entry of €31,820 in the hedging reserve under equity, net of deferred tax liabilities.

RELATED PARTY TRANSACTIONS

The parent adopted a “Related party transactions procedure” (the “procedure”) in 2020, which became effective on 24 June 2020, as required by the Regulation on related party transactions issued by Consob with resolution no. 17221 of 12 March 2010 as subsequently amended (the “regulation”) and article 2391-bis of the Italian Civil code. The parent updated the procedure on 27 June 2022 to incorporate the amendments requested by Borsa Italiana in its communication no. 22008 of 25 June 2021.

The procedure can be consulted on the parent’s web site (www.cy4gate.com, Governance section, Company documents area). Pursuant to article 5.8 of the regulation, in 2022, the group did not carry out major transactions (as defined by article 4.1.a) and identified in the procedure in accordance with article 3 of the regulation) or other transactions with related parties that had a significant effect on its financial position. More information is available in note 33 “Related party transactions” to the condensed interim consolidated financial statements.

OTHER INFORMATION

Shares of ultimate parents

CY4Gate S.p.A. does not hold shares or quotas of parents either directly or indirectly through trustees or nominees.

Shares of ultimate parents purchased or sold during the year

The group companies have neither (re)purchased or sold treasury shares or shares or quotas of parents either directly or indirectly through trustees or nominees.

Management and coordination

The parent is not managed and coordinated by another party as per article 2497 and following articles of the Italian Civil Code, as it checked that the presumption of article 2497-sexies of the Italian Civil Code does not apply.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2023

KPMG

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Report on review of condensed interim consolidated financial statements

To the shareholders of
CY4Gate S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the CY4Gate Group, comprising the statement of financial position as at 30 June 2023, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of the review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the CY4Gate Group as at and for the six months ended 30 June 2023 have not been prepared, in all material respects, in accordance with the International

Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Roma, 13 September 2023

KPMG S.p.A.

(signed on the original)

Marco Mele
Director of Audit

STATEMENT OF PROFIT OR LOSS

(€)	Note	H1 2023	H1 2022 restated*
Revenue	*(1)*	33,096,965	16,035,122
of which: with related parties		*1,560,034*	*1,801,854*
Other revenue and income	*(2)*	989,417	666,079
Total revenue		**34,086,382**	**16,701,202**
Purchases, services and personnel expenses	*(3)*	30,697,274	16,589,607
of which: with related parties		*187,264*	*226,462*
Amortisation, depreciation, net impairment losses on financial assets and provisions	*(4)*	8,230,463	4,637,866
Other operating costs	*(5)*	309,007	216,441
Costs		**39,236,744**	**21,443,914**
Operating loss		**(5,150,362)**	**(4,742,712)**
Net financial expense	*(6)*	(917,067)	(308,717)
Pre-tax loss		**(6,067,429)**	**(5,051,429)**
Income taxes	*(7)*	(3,224,554)	(719,396)
Loss for the period		**(2,842,875)**	**(4,332,032)**
Loss attributable to the owners of the parent		**(3,235,584)**	**(4,236,586)**
Profit attributable to non-controlling interests		**392,709**	**95,446**
Basic loss per share	*(8)*	***(0.12)***	***(0.18)***

* The H1 2022 figures have been restated following the completion of the fair value measurement of the Aurora Group’s assets and liabilities in the last quarter of 2022. The Aurora Group has been consolidated since 31 March 2022.

STATEMENT OF COMPREHENSIVE INCOME

(€)	Note	H1 2023	H1 2022 restated*
Loss for the period		**(2,842,875)**	**(4,332,033)**
Net actuarial gains (losses) on defined benefit plans		36,814	(590,776)
Related tax		(20,255)	141,786
Fair value gains (losses) on cash flow hedges		(41,865)	90,353
Related tax		10,048	(21,685)
Items that will not be reclassified subsequently to profit or loss		**(15,258)**	**(380,321)**
Comprehensive expense		**(2,858,133)**	**(4,712,354)**
Comprehensive income attributable to non-controlling interests		**392,709**	**95,466**
Comprehensive expense attributable to the owners of the parent		**(2,465,424)**	**(4,616,888)**

* The H1 2022 figures have been restated following the completion of the fair value measurement of the Aurora Group's assets and liabilities in the last quarter of 2022. The Aurora Group has been consolidated since 31 March 2022.

STATEMENT OF FINANCIAL POSITION

(€)	Note	30/06/2023	31/12/2022
Intangible assets and goodwill	*(9) (10)*	71,995,688	61,632,291
Property, plant and equipment	*(11)*	6,233,376	4,732,835
Right-of-use assets	*(12)*	3,805,992	3,192,760
Non-current financial assets	*(13)*	1,281,462	475,024
of which: with related parties		*6,000*	*6,000*
Equity investments	*(14)*	566,451	566,451
Non-current tax assets	*(15)*	1,929,399	1,806,275
Deferred tax assets	*(7)*	5,921,112	2,833,917
Non-current assets		**91,733,481**	**75,239,554**
Inventories	*(16)*	485,312	777,399
Contract assets	*(17)*	3,436,599	3,625,192
of which: with related parties		*1,789,179*	*1,295,339*
Trade receivables	*(18)*	63,875,431	64,488,220
of which: with related parties		*4,854,060*	*5,524,590*
Current tax assets	*(19)*	5,268,902	4,160,573
Other current assets	*(20)*	4,365,707	2,740,548
Current financial assets	*(13)*	453,386	1,332,312
Cash and cash equivalents	*(21)*	10,822,780	19,885,505
Current assets		**88,708,117**	**97,009,749**
Total assets		**180,441,599**	**172,249,302**

(€)	Note	30/06/2023	31/12/2022
Share capital		1,441,500	1,441,500
Share premium		108,539,944	108,539,944
Other reserves		11,120,435	8,926,234
Profit (loss) for the period/year		(3,235,584)	2,209,462
Equity attributable to the owners of the parent		**117,866,295**	**121,117,140**
Share capital and reserves attributable to non-controlling interests		1,422,648	1,158,273
Profit for the year attributable to non-controlling interests		392,709	264,375
Equity	**(22)**	**119,681,652**	**122,539,790**
Employee benefits - non-current	***(23)***	3,217,903	2,894,479
Other non-current liabilities		594,932	242,665
Non-current financial liabilities	***(25)***	21,335,643	1,744,570
Non-current lease liabilities	***(26)***	2,650,384	2,059,798
of which: with related parties		*844,158*	*964,971*
Deferred tax liabilities	***(7)***	2,358,090	2,937,336
Non-current liabilities		**30,156,952**	**19,878,848**
Provisions - current	***(24)***	91,152	122,111
Trade payables	***(27)***	13,558,400	10,571,285
of which: with related parties		*335,485*	*694,810*
Current financial liabilities	***(28)***	3,610,996	3,635,117
Current lease liabilities	***(29)***	1,202,342	1,191,346
of which: with related parties		*239,961*	*233,171*
Contract liabilities	***(17)***	512,569	4,582,279
of which: with related parties		*164,267*	*165,279*
Current tax liabilities	***(30)***	1,454,949	1,451,024
Other current liabilities	***(31)***	10,172,587	8,277,503
Current liabilities		**30,603,070**	**29,830,666**
Total liabilities		**180,441,599**	**172,249,302**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves: IFRS-EU FTA reserve	Other reserves: Legal reserve	Other reserves: Reserve for capital increase transaction costs	Other reserves: Other comprehensive income (expense)	Other reserves: Deferred taxes on OCI	Other reserves: Other reserves	Retained earnings	Profit (loss) for the period/year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2022	**481,500**	**19,499,944**	**(96,039)**	**96,300**	**(1,172,651)**	**41,410**	**(9,938)**	**-**	**6,228,486**	**5,185,830**	**30,254,842**	**-**	**30,254,842**
Allocation of previous year profit	0	0	-	259,292	0	0	0	0	4,926,538	(5,185,830)	-	-	-
Net actuarial losses	0	-	-	-	0	(568,828)	136,518	-	-	-	(432,310)	(16,681)	(448,991)
Capital increase transaction costs	0	-	-	-	(1,387,500)	-	-	-	-	-	(1,387,500)	-	(1,387,500)
Other changes	960,000	89,040,000	-	-	-	-	-	-	(2,115)	-	89,997,884	1,188,344	91,186,228
Net fair value gains on cash flow hedges	-	-	-	-	-	-	-	68,668	-	-	68,668	-	68,668
Loss for the period[1]	0	0	-	-	0	0	0	0	0	(4,332,033)	(4,332,033)	95,466	(4,236,566)
Balance at 30 June 2022	**1,441,500**	**108,539,944**	**(96,039)**	**355,592**	**(2,560,151)**	**(527,419)**	**126,580**	**68,668**	**11,152,908**	**(4,332,032)**	**114,169,552**	**1,267,129**	**115,436,680**

*The H1 2022 loss has been restated following the completion of the fair value measurement of the Aurora Group's assets and liabilities in the last quarter of 2022. The Aurora Group has been consolidated since 31 March 2022.

	Share capital	Share premium	Other reserves: IFRS-EU FTA reserve	Other reserves: Legal reserve	Other reserves: Reserve for capital increase transaction costs	Other reserves: Other comprehensive income (expense)	Other reserves: Deferred taxes on OCI	Other reserves: Other reserves	Retained earnings	Profit (loss) for the period/year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2023	1,441,500	108,539,944	(96,039)	355,592	(2,560,151)	(411,568)	(72,546)	558,037	11,152,908	2,209,462	121,117,140	1,422,648	122,539,788
Allocation of previous year profit	-	-	-			-	-	-	2,209,462	(2,209,462)	-	-	-
Net actuarial losses	-	-	-			36,814	(20,255)	-	-	-	16,559	-	16,559
Capital increase transaction costs	-	-	-			-	-	-	-	-	-	-	-
Other changes			-	-	-	-	-	-	-	-	-	-	-
Net fair value losses on cash flow hedges	-	-	-	-	-	-	-	(31,820)	-	-	(31,820)	-	(31,820)
Loss for the period	-	-	-	-	-	-	-	-	-	(3,235,584)	(3,235,584)	392,709	(2,842,875)
Balance at 30 June 2023	1,441,500	108,539,944	(96,039)	355,592	(2,560,151)	(374,754)	(92,801)	526,217	13,362,371	(3,235,584)	117,866,295	1,815,357	119,681,652

STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	H1 2023	H1 2022[1]
Loss for the period	**(2,842,875)**	**(4,332,033)**
Income taxes	(3,224,554)	(719,395)
Pre-tax loss	**(6,067,429)**	**(5,051,428)**
Adjustments for:		
- Non-monetary items		
Amortisation and depreciation	8,124,332	4,491,366
Impairment losses	106,131	146,500
Service costs for post-employment benefits and defined benefit plans	667,819	349,141
Employee incentive plans		
Accruals to provisions for risks and charges		
(Gains)/losses on sales of assets		
Net interest expense	917,067	308,717
Sub total	**9,815,349**	**5,295,723**
Cash flows from operating activities before changes in net working capital	**3,747,920**	**244,295**
Changes in net working capital		
Trade receivables	1,414,694	(3,066,792)
of which: with related parties		
Inventories	326,335	(10,285)
Contract assets	188,593	(1,142,816)
of which: with related parties		
Trade payables	2,896,402	2,736,832
of which: with related parties		
Provisions for risks and charges	(30,959)	(20,108)
Contract liabilities	(4,069,711)	(12,664)
of which: with related parties		
Other current assets	(2,868,042)	(227,498)
Other current liabilities	529,780	1,052,451
Payment of post-employment benefits and defined plan benefits	(98,509)	(288,839)
Sub total	**(1,711,416)**	**(979,720)**
Cash flows generated by (used in) operating activities	**2,036,504**	**(735,425)**
Interest collected	199,128	
Interest paid	(691,216)	
Taxes paid	(126,483)	(188,137)
A) Net cash flows generated by (used in) operating activities	**1,417,933**	**(923,563)**
Net investments in intangible assets	(8,076,798)	(5,155,049)
Investments in property, plant and equipment	(1,840,777)	(603,130)
Proceeds from sales of or amounts reimbursed for property, plant and equipment		
Acquisition/sale of subsidiaries net of cash and cash equivalents	(4,226,105)	(70,971,144)
Change in other financial assets, net		
B) Cash flows used in investing activities	**(14,143,681)**	**(76,729,323)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital increase		88,612,500
Net utilisations of credit facilities	3,651,631	7,304,966
of which: with related parties		
Change in other financial liabilities	165,382	(547,543)
Finance lease payments		
Other changes	(1,482,937)	
C) Cash flows generated by financing activities	**2,334,077**	**95,369,923**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**(10,391,671)**	**17,717,037**
OPENING CASH AND CASH EQUIVALENTS	**21,214,451**	**2,297,858**
CLOSING CASH AND CASH EQUIVALENTS	**10,822,780**	**20,014,895**

* The H1 2022 figures have been restated following the completion of the fair value measurement of the Aurora Group's assets and liabilities in the last quarter of 2022. The Aurora Group has been consolidated since 31 March 2022.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2023

REPORTING ENTITY

CY4Gate S.p.A. (the "parent") is a company limited by shares with its registered office at Via Coponia 8, Rome (Italy). The condensed interim consolidated financial statements at 30 June 2023 include the interim separate financial statements of the parent and the interim financial statements of its subsidiaries (the "CY4Gate Group" or the "group").

The group's core business is the design, development and production of technologies, products, systems and services for the armed forces, police forces, intelligence agencies and Italian and foreign strategic companies.

Since 26 June 2023, the parent's shares have been listed on the Euronext STAR Milan segment of the Italian Stock Exchange.

BASIS OF PREPARATION AND COMPLIANCE WITH THE IFRS-EU

These condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and the International Accounting Standards (together the "IFRS") issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and the Standing Interpretations Committee ("SIC"), endorsed by the European Union with Regulation (EC) no. 1606/2002 and effective at the reporting date. The above standards and interpretations are identified as "IFRS-EU" in these notes.

Specifically, these condensed interim consolidated financial statements have been prepared in accordance with IAS 34 - Interim financial reporting and do not present all disclosures required for annual financial reports. Accordingly, they should be read in conjunction with the 2022 annual consolidated financial statements, which are filed at the parent's registered office and are available on its website www.cy4gate.com. Despite the fact that the condensed interim consolidated financial statements do not include all disclosures required for annual financial statements, these notes include information about events and transactions that are relevant for understanding the changes in the group's financial position, financial performance and cash flows that occurred during the six-month period. The interim consolidated financial statements schedules are consistent with those included in the annual consolidated financial statements. All figures are shown in Euros unless stated otherwise. KPMG S.p.A. reviewed these condensed interim consolidated financial statements.

The parent's board of directors approved and authorised the publication of the condensed interim consolidated financial statements at 30 June 2023 in its meeting of 13 September 2023.

BASIS OF PRESENTATION

The condensed interim consolidated financial statements at 30 June 2023 comprise a statement of profit or loss, a statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows and these notes.

The group has opted to present assets and liabilities in the statement of financial position as current or non-current while income and expense items are recognised in the statement of profit or loss according to their nature. This approach complies with the group's management reporting format and is deemed the most suitable presentation method rather than using the presentation by destination method, as it provides more reliable and useful information about the group.

The statement of profit or loss and the statement of comprehensive income are presented separately with the former showing the profit or loss for the period while the latter starts with the profit or loss for the period and adds or deducts other comprehensive income or expense items. The statement of comprehensive income also presents changes in equity arising from non-owner transactions.

The group prepares the statement of cash flows using the indirect method presenting cash flows from operating, investing and financing activities separately.

The group's presentation of the statement of changes in equity complies with the requirements of IAS 1.

Each caption also presents the corresponding figures of the previous year end or the same period of the previous year for comparative purposes. The corresponding profit or loss and OCI figures for the first half of 2022 have been restated following the completion of the fair value measurement of the RCS Group's (formerly Aurora Group) assets and liabilities in the last quarter of 2022 and its related impact on the H1 2023 figures. The RCS Group has been consolidated since 1 March 2022.

The section on the statement of profit or loss presents a reconciliation between the figures reported in the condensed interim consolidated financial statements at 30 June 2022 and the restated figures presented herein for comparative purposes.

Pursuant to Consob resolution no. 15519 of 28 July 2006, the statement of profit or loss presents any items arising from non-recurring transactions separately. Likewise, the balances of related party transactions are reported separately in the financial schedules in addition to being disclosed in note 33.

The group's presentation currency is the Euro, which is also that of the parent. Assets and liabilities are presented separately without offsetting. Figures in the condensed interim consolidated financial statements and the notes are in Euros unless indicated otherwise and, therefore, the totals of some statements and tables in the notes may be slightly different from the sum of the individual components due to rounding.

ACCOUNTING POLICIES

The condensed interim consolidated financial statements at 30 June 2023 have been prepared using the historical cost method, except for those items that, in accordance with the IFRS-EU, are mandatorily measured at fair value. The most significant accounting policies are described below.

The group has prepared the condensed interim consolidated financial statements at 30 June 2023 on a going concern basis. They give a true and fair view of the group's financial position at 30 June 2023 and its financial performance and cash flows for the period then ended. Preparation of the condensed interim consolidated financial statements has required management to make use of estimates as described later in these notes.

CONSOLIDATION SCOPE AND BASIS OF CONSOLIDATION

The interim separate financial statements of the parent and the interim financial statements of the Italian and foreign companies that it directly or indirectly controls are consolidated on a line-by-line basis.

The group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee and has the power to govern the financial and operating policies of the investee either directly or indirectly. Control is presumed to exist when the group holds directly or indirectly more than half the voting rights.

The interim financial statements of subsidiaries are consolidated starting from the date the parent gains control until the date it loses such control.

The interim financial statements of the consolidated companies, prepared for consolidation by their competent bodies, are adjusted and reclassified to comply with the group's accounting policies as described below.

The reporting date of the consolidated companies' interim financial statements is the same as that of the parent.

The following table lists the companies included in the consolidation scope and the parent's direct or indirect investment percentage.

	Address or foreign state of registered office	Share/quota capital	Indirect investment %	Consolidation or measurement method
Subsidiaries				
CY4Gate S.p.A. (parent)	Rome - Via Coponia 8	1,441,500		Line-by-line
RCS ETM Sicurezza S.p.A.	Milan - Via Caldera 21	7,000,000	100%	Line-by-line
Azienda Informatica Italiana S.r.l.	Turin - Corso Vittorio Emanuele II 74	10,000	85.75%	Line-by-line
Servizi Tattici Informativi Legali S.r.l. ("STIL")	Cuneo - Via XX settembre 2	33,333	70%	Line-by-line
Dars Telecom SL	Madrid - PASEO PINTOR ROSALES 44 - Spain	4,808	65%	Line-by-line
Tykelab S.r.l.	Rome - Via Benedetto Croce 10	10,000	90%	Line-by-line
DIATEAM[1]	Brest – 31 rue Yves Collet	300,000	55.33%	Line-by-line
Associates				
SAS Foretec	Andrézieux-Bouthéon - France	500,000	25%	Equity

1) Its 100% contribution to the group includes the effect on the group's equity of the recognition of the put options granted to its non-controlling investors.

Although it controls them, the parent elected not to consolidate Aurora France S.A.S. and RCS Lab GmbH given their immateriality due to their limited activities.

	Address or foreign state of registered office	Share/quota capital	Indirect investment %
Subsidiaries			
Aurora France S.A.S.	Paris - 9 Rue Parrot – France	10,000	100%
RCS LAB GMBH	Lebach – Germany	25,000	70%

There are no companies consolidated on a proportionate basis.

The basis of consolidation used to prepare the condensed interim consolidated financial statements at 30 June 2023 may be summarised as follows:

- Subsidiaries are fully consolidated and therefore:

- their assets, liabilities, costs and revenue as per their interim financial statements are consolidated regardless of the parent's investment percentage;
- the carrying amount of the investments therein is eliminated against the parent's share of their net equity;
- intragroup transactions are eliminated, including dividends distributed within the group;
- non-controlling interests are presented separately under equity and their share of the subsidiaries' profit or loss is also presented separately in the statement of profit or loss.

Investments in associates are measured using the equity method, whereby their carrying amount is adjusted for:

- compliance with the group's accounting policies;
- the parent's share of the associate's profit or loss since the acquisition date;
- changes in equity that are not recognised in profit or loss in line with the IFRS-EU;
- dividends distributed by the associate;
- any differences arising on acquisition (measured using the criteria set out in the "Business combinations" section) treated in accordance with the IFRS;
- the group's share of equity-accounted investees' profit or loss, recognised in profit or loss.

Dividends, impairment gains and losses and losses on consolidated investments, the gains or losses from intragroup sales of consolidated investments and the related tax are eliminated. Profits or losses from transactions among consolidated companies that have not been directly or indirectly realised with third parties are eliminated. Unrealised intragroup losses are recognised if the underlying transaction shows evidence of impairment of the transferred asset.

BUSINESS COMBINATIONS

The group accounts for business combinations in accordance with IFRS 3 Business combinations, using the acquisition method. The cost of a business combination is the acquisition-date fair value of the assets acquired, liabilities assumed and equity instruments issued. The identifiable assets acquired and the liabilities and contingent liabilities assumed are recognised at their acquisition-date fair value, except for deferred tax assets and liabilities, assets and liabilities related to the acquiree's employee benefit arrangements and assets held for sale, which are recognised in accordance with the relevant standards. The difference between the consideration transferred and the fair value of the net assets acquired is recognised under intangible assets as goodwill, if positive, or under financial income in profit or loss, if negative, after having reassessed the correct fair value measurement of the net assets acquired and the consideration transferred. The transaction costs are recognised in profit or loss when the related services are provided. If the parent does not obtain full control over the acquiree, goodwill is recognised in proportion to the parent's investment. Any non-controlling interests in the acquiree's identifiable net assets are recognised at their acquisition-date fair value. Any contingent consideration is recognised at the acquisition-date fair value. Subsequent fair value gains or losses on the contingent consideration, which is classified as an asset or a liability, i.e., as a financial instrument within the scope of IFRS 9, are recognised as financial income or expense in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. In a business combination achieved in stages, when the group obtains control of an acquiree, its previously held equity interest in the acquiree is remeasured at fair value and any fair value gain or loss is recognised as financial income or expense in profit or loss. If the fair value of the assets, liabilities and contingent liabilities can only be determined provisionally, the business combination is recognised on the basis of such provisional amounts. Any adjustments arising from the completion of the measurement process are recognised within 12 months of the acquisition date and the comparative figures are restated accordingly.

Diateam acquisition

On 20 October 2022, CY4Gate signed a preliminary agreement to acquire 55.33% of Diateam, a French company specialised in the design, development and implementation of advanced testing, validation and training systems in the cyber security domain (cyber hybrid digital twin) for government and corporate customers. The acquisition was completed on 30 January 2023, following the satisfaction of the conditions precedent and the group paid a consideration of €5.5 million, including an earn out, for the 55.33% investment. It funded the transaction by drawing down €3.2 million from the capex facility agreed with a bank syndicate in the previous year. The acquisition agreement provides for put and call options that would give Cy4Gate to control 100% of Diateam before the end of 2026. The residual 44.67% retained by the selling shareholders is covered by put and call options exercisable as follows: 15.33% after the approval of the 2024 financial statements, 14.67% after the approval of the 2025 financial statements and 14.67% after the approval of the 2026 financial statements.

The acquisition is strategic for the group as it enables it to further expand its offering in the cyber security segment with the inclusion of the cyber digital twin product range.

The transaction strengthens the group's value chain in the cyber security business, thanks, in particular, to:

- the advanced Hybrid Cyber Digital Twin simulator that can be easily interfaced with the operations technologies' (e.g., Scada industrial systems) to support testing and validation activities and make advanced training of cyber specialists more effective; the product also features a "transportable" configuration in modular racks that allow high flexibility in tactical use;
- a diversified portfolio of advanced hands-on and immersive cyber training modules, including using the proprietary cyber digital twin simulator and the "Capture the Flag" cyber contests that are entirely designed in-house. These are innovative training solutions that will complement and complete Cy4gate Academy's existing cyber training offer, aiming to meet the strong need for effective training on new skills not only on a theoretical level but also and above all in practice and on real systems;
- an incident response team made up of specialists able to complement and extend the group's existing operational capabilities in a high-growth segment with a shortage of available expertise.

The acquisition-date fair value of the consideration transferred comprises:

(i) a fixed amount of €3.9 million for the acquisition of the 55.33% investment, which includes a price adjustment of €0.6 million. This amount reflects the acquiree's actual net financial position at the acquisition date, as agreed among the parties to the purchase agreement;

(ii) a variable amount of €1.6 million for the acquisition of the 55.33% investment, calculated on the basis of the 2022 EBITDA and turnover targets reached by the acquiree and paid by the parent;

(iii) put options for the residual 44.67% stake, the estimated present value of which is €5.42 million.

As allowed by the IFRS-EU, the group accounted for the put options provided for by the acquisition agreement using the anticipated acquisition method. Under that method, the group included the discounted put option liability in its measurement of the consideration transferred. This contractually-provided for put option entitles the non-controlling investors (sellers) to sell their 44.67% stake in the acquiree. Therefore, in accounting for the business combination, the group did not recognise any non-controlling interests in these condensed interim consolidated financial statements.

Considering the above, the overall consideration transferred at the reporting date was €10,742,233 (fixed and variable components of the consideration transferred of €3.3 million and €2.2 million, respectively, and put option liability of €5.2 million for the residual 44.67%). €5 million of the above consideration was paid before 30 June 2023, thus excluding from the total consideration:

- €300,000, which was retained as a contractual guarantee that will be paid over the next three years, in line with the contractual provisions and
- the discounted liability for the acquisition of the residual investment (44.67%).

The group's share of the acquiree's net assets at the date it obtained control (1 January 2023) amounted to €2,210,479 as per the acquiree's statement of financial position as follows:

(€)	Amount
Intangible assets	162,316
Property, plant and equipment	548,560
Right-of-use assets	436,200
Equity investments	1,000
Non-current financial assets	89,983
Deferred tax assets	24
Inventories	34,249
Trade receivables	908,036
Current tax assets	35,575
Other current assets	371,568
Cash and cash equivalents	1,328,946
Non-current lease liabilities	(353,449)
Trade payables	(90,712)
Current financial liabilities	(475,645)
Current lease liabilities	(82,750)
Current tax liabilities	(218,470)
Other current liabilities	(484,952)
Total identifiable net assets	**2,210,479**

Goodwill has been provisionally measured as follows:

(€)	Amount
Consideration paid for 55.33%	5,555,051
Put liability for the residual 44.67%	5,187,182
Consideration transferred	10,742,233
Diateam's equity	2,210,478
Goodwill	**8,531,755**

In accordance with IFRS 3 - Business combinations, the purchase price allocation (PPA) procedure will be completed by identifying the fair value of the assets acquired and liabilities assumed within 12 months of when the parent obtained control.

The parent incurred transaction costs of €76 million, mostly related to legal and due diligence services.

These costs have been included in the captions "Purchases" and "Personnel expense" in the statement of profit or loss for the six months ended 30 June 2023 in accordance with IFRS 3 - Business combinations.

Purchase price allocation - RCS Group

In 2022, the group completed the PPA procedure of the difference between the consideration transferred for the acquisition and the RCS Group's net assets at the acquisition date (29 March 2022). The fair value of the assets acquired and the liabilities assumed was determined within the period established by IFRS 3 and the difference between the consideration transferred and the fair value of the net assets acquired was recognised as goodwill in the consolidated financial statements at 31 December 2022.

Recognition of the RCS Group's net assets acquired at fair value led to the recognition of an intangible asset (software) of €12,272 thousand, before tax. Based on the new releases of this software, its estimated useful life is three years starting from the acquisition date.

As required by IFRS 3, in these condensed interim consolidated financial statements, the group recognised the (effect of the PPA procedure retrospectively at the acquisition date and consequently restated the corresponding figures reported in the condensed interim consolidated financial statements at 30 June 2022.

The corresponding figures have been restated as follows:

	Reported figures H1 2022	PPA effects	Restated figures H1 2022
Statement of profit or loss			
Amortisation	(3,468,652)	(1,022,714)	(4,491,366)
Income taxes	424,649	294,746	719,396
Loss for the period	**(3,604,065)**	**(727,968)**	**(4,332,032)**

INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

Intangible assets are identifiable non-monetary assets that do not have physical substance and are held to generate future economic benefits for the group. They are recognised at acquisition and/or development cost, including the cost of bringing the assets to their working condition, net of accumulated amortisation (except in the case of assets with an indefinite useful life, which are tested for impairment as per IAS 36) and any accumulated impairment losses. Amortisation begins when the asset is available for use and is allocated on a systematic basis over the asset's useful life. The amortisation rate for the first year of use of the asset is adjusted to reflect its actual use.

Industrial patents and intellectual property rights are carried at cost net of accumulated amortisation and any accumulated impairment losses.

Amortisation begins when the right, to which the group has acquired title, is available for use and is allocated over its estimated useful life (three to five years).

Licences and similar rights are carried at cost net of accumulated amortisation and any accumulated impairment losses. Amortisation begins in the year in which the group has acquired title to the right and is allocated over its useful life. Development expenditure includes the costs of applying research findings or other knowledge to a plan or design for the production of new or substantially improved applications, devices and software systems before the start of commercial activities for which it can be demonstrated that future economic benefits will flow to the group. The expenditure is amortised over the period in which the future expected revenue will materialise for the projects, estimated to be three years on the basis of the group's current projects.

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

- development expenditure is amortised over three years (33.33%);
- industrial patents, concessions, licences, trademarks and similar rights are amortised over the shorter of their legal or contractual term and their residual possible use (20% to 33% depending on the licence term);

other assets are amortised over the shorter of the period of their estimated useful lives and the remaining lease term, including any renewal option, if this is at the group's discretion (variable depending on the remaining lease term).

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The group tests intangible assets with an indefinite useful life and intangible assets with a finite useful life under development at least once a year.

It checks that there are no indications of impairment (events or changes in circumstances) for property, plant and equipment and intangible assets other than those with an indefinite useful life or under development.

If necessary, the group carries out the impairment test on the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units), when it is not possible to determine the recoverable amount of the individual assets.

The impairment test consists of comparing the carrying amount of the assets (or groups of assets) to their recoverable amount[2]. If the carrying amount is higher than the recoverable amount, the asset is impaired and the impairment loss is recognised in profit or loss. Should the reasons for the previously-recognised impairment loss no longer hold true, the asset is reinstated at its carrying amount and the reversal of the impairment loss is recognised in profit or loss. Impairment losses on goodwill or an intangible asset with an indefinite useful life can never be reversed.

At the reporting date, the group did not identify any impairment indicators that would have required testing the carrying amounts of the group's property, plant and equipment and intangible assets for impairment.

IMPAIRMENT OF OTHER FINANCIAL INSTRUMENTS

Adoption of IFRS 9 - Financial instruments has radically changed the methods used to determine and recognise impairment losses on financial assets. It replaced the incurred loss method of IAS 39 with the forward-looking expected credit loss (ECL) method.

Under IFRS 9, regardless of the existence of a trigger event, the group determines the expected credit losses for all financial assets (except for those measured at FVTPL) using the ECL method.

The group introduced an impairment model for trade receivables and contract assets (which make up most of its credit exposure) based on the simplified approach established by IFRS 9 for this type of asset. Specifically, the group divides these financial assets into clusters based on their nature, customer rating and geographical location. The group uses the information to subsequently determine the reference parameters (PD3, LGD4, and EAD5) to calculate the lifetime expected credit losses of each cluster. The group individually impairs trade receivables from customers with a below-adequate credit rating (speculative grade, non-investment grade and high yield) that accumulate significant payment delays on the basis of the parameters identified each time. With respect to the other financial assets to be tested, the group carries out the analyses required by the general approach under IFRS 9, by allocating the impaired assets to stages, and estimates the expected credit losses on the basis of the PD, LDG and EAD risk parameters. Impairment losses and gains calculated in accordance with IFRS 9 are recognised in profit or loss.

INVENTORIES

Inventories are measured at the lower of purchase and/or production cost and net realisable value.

Purchase cost includes transaction costs; production cost includes directly related costs and a portion of the indirect costs that can reasonably be allocated to the products.

Obsolete and/or slow-moving items are written down to reflect their estimated possible use or realisation by setting up an allowance account. The write-down is reversed in subsequent years if the reasons therefor are no longer valid.

2 Recoverable amount is the higher of fair value less costs to sell and value in use of an asset.
3 PD: Probability of Default.
4 LGD: Loss Given Default.
5 EAD: Exposure At Default.

FINANCIAL ASSETS

The group classifies financial assets in the following categories:

- at amortised cost;
- at fair value through profit or loss;
- at fair value through other comprehensive income.

The group determines their classification considering the business model used to manage the financial assets and their contractual cash flows.

The group initially measures financial assets at fair value plus or minus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Trade receivables are initially measured at their transaction price, which is equal to their fair value.

At initial recognition, financial assets are classified in one of the above categories and they may only be reclassified into another category if the group changes its business model used to manage them.

The group recognises a loss allowance for expected credit losses on financial assets at amortised cost, contract assets and debt instruments at fair value through other comprehensive income. It measures the loss allowance at an amount equal to the lifetime expected credit losses. Classification as current and non-current reflects management's expectations about the assets' recovery.

Financial assets at amortised cost

This category includes financial assets held within a business model whose objective is achieved by collecting contractual cash flows (held to collect) that are solely payments of principal and interest on the principal amount outstanding. This category includes all loans and trade receivables.

These assets are measured at amortised cost using the effective interest method less impairment losses. Interest income, exchange differences and impairment losses are recognised in profit or loss as are derecognition gains or losses.

Financial assets at fair value through other comprehensive income

This category includes financial assets held within a business model whose objective is achieved by both collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding and selling financial assets (hold to collect and sell).

Financial assets at fair value through profit or loss

This category includes financial assets not classified as measured at amortised cost or fair value through other comprehensive income.

The group determines the fair value of financial assets held for trading using market prices at the reporting date or financial valuation techniques and models.

DETERMINATION OF FAIR VALUE

IFRS 13 defines fair value as a market-based measurement rather than an entity-specific measurement as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When a price for an identical asset or liability is not observable, the group measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

In some cases a single valuation technique will be appropriate. In other cases, multiple valuation techniques will be appropriate. If multiple valuation techniques are used to measure fair value, the results shall be evaluated considering the reasonableness of the range of values indicated by those results.

The three most commonly used valuation techniques used are:

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

In line with the availability of the relevant inputs underlying the valuation technique used, the assets and liabilities at fair value are measured and classified in accordance with the fair value hierarchy established by IFRS 13:

- **level 1 inputs:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **level 2 inputs:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- **level 3 inputs:** unobservable inputs for the asset or liability.

The fair value measurement of an asset or liability is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

Trade receivables and other financial assets, trade payables, other liabilities and loans and borrowings are measured at amortised cost.

Financial liabilities and assets are settled or measured at market rates and do not include transaction costs. The group has not reclassified financial assets or liabilities into or out of the fair value at amortised cost category.

With respect to financial assets and liabilities at amortised cost, management deems that their carrying amount is a reasonable approximation of their fair value[6].

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

The group derecognises a financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) when:

- the contractual rights to the cash flows from the financial asset expire,
- it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients;
- the group has transferred the contractual rights to the cash flows from the financial asset and: (a) has transferred substantially all the risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the rights and rewards of ownership of the asset, but has transferred control.

If the group has transferred the contractual rights to the cash flows from the asset and has not either transferred or retained substantially all the risks and benefits of ownership or has not lost control, it continues to recognise the asset

6 IFRS 7.29

to the extent of its continuing involvement. When its continuing involvement takes the form of guaranteeing the transferred asset, the extent of the group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the group could be required to repay.

The group removes a financial liability from its statement of financial position when, and only when, it is extinguished - i.e., when the obligation specified in the contract is discharged or cancelled or expires. If a financial liability is exchanged for another financial liability from the same lender at substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the two carrying amounts is recognised in profit or loss. When the modification or exchange of a financial liability does not result in the derecognition of that financial liability in accordance with IFRS 9, the group recalculates the carrying amount of the financial liability as the net present value of the renegotiated or modified contractual cash flows that are discounted at the financial liability's original effective interest rate. Any difference between the recalculated carrying amount and the carrying amount of the original financial liability is immediately taken to profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits or deposits with other credit institutions available for current transactions, post office accounts and other cash equivalents as well as investments maturing within three months of the acquisition date. This caption is measured at fair value which is usually equal to its nominal amount.

EQUITY

Share capital

Share capital comprises the subscribed and paid-up capital. Share issue costs are classified as a reduction in share capital when they directly relate to capital transactions.

Retained earnings (losses carried forward)

This caption includes the portion of profits or losses of previous years that have not been distributed or allocated to reserves (profits) or covered (losses).

Other reserves

These reserves include those set up for the first-time adoption of the IFRS-EU and other equity-related reserves.

Other comprehensive income

This caption includes items of other comprehensive income recognised directly in equity in accordance with the IFRS-EU guidance about their origin and variations.

These items are presented by nature and include actuarial gains and losses on defined benefit plans determined in accordance with IAS 19.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value less transaction costs and are subsequently measured at amortised cost.

The difference between the amount received (less transaction costs) and the financial liability's nominal amount is recognised in profit or loss using the effective interest method.

Financial liabilities are classified as current liabilities unless the group has a contractual right to extinguish its obligations at least 12 months after the reporting date.

The group has not designated any financial liabilities at fair value through profit or loss.

TRADE PAYABLES AND OTHER LIABILITIES

Trade payables, with standard business due dates, are not discounted and are carried at cost (which approximates their nominal amount).

INCOME TAXES

Current taxes

The group recognises current taxes for the year and previous years at the amount it expects to pay the tax authorities. The tax rates and laws used to calculate the amounts are those substantially enacted at the reporting date in the various countries where the group operates.

Deferred taxes

The group accounts for deferred taxes using the liability method applied to taxable or deductible temporary differences between the carrying amounts of assets and liabilities and their tax base.

A deferred tax liability is recognised for all taxable temporary differences, except when:

- the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, the group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences and for carryforward tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The group reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. At the reporting date, the group reassesses unrecognised deferred tax assets. It recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

The group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority.

Current tax and deferred tax that relates to items that are recognised directly in equity are also recognised directly in equity.

TRANSLATION CRITERIA

Transactions in foreign currencies are translated into the group's functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognised in profit or loss.

EMPLOYEE BENEFITS

Termination benefits

Termination benefits are employee benefits payable as a result of either a group company's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.

The group recognises a liability and expense for termination benefits at the earlier of the following dates: (i) when the group can no longer withdraw the offer of those benefits; and (ii) when the group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. The liability is measured considering the nature of the benefit. Specifically, if the benefits represent an enhancement of other post-employment benefits recognised for employees, the group measures the related liability using the guidance set out in paragraphs 50 to 60 of IAS 19 - Post-employment benefits. Otherwise, the guidance to be applied to measure termination benefits differs depending on the period of time over which the benefits will be paid:

- if the termination benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the termination benefit is recognised, the group applies the requirements for short-term employee benefits (IAS 19.9-25);
- if the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the group applies the requirements for other long-term employee benefits (IAS 19.153-158).

Post-employment benefits

The group recognises the liability for employee benefits provided near or after termination of the employment relationship in the form of defined benefit plans when the right generated by the service provided by the employee necessary to obtain the benefit, based on actuarial assumptions and net of advances paid, vests. Third party actuaries measure the liability using the projected unit credit method.

The following items are recognised under personnel expenses in the statement of profit or loss:

- current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period;
- net interest cost, which is the change in the period in the net defined benefit liability (asset) that arises from the passage of time; and
- past service cost or gains resulting from amendments to defined benefit plans, recognised in full in the period in which the amendments are made.

In addition, actuarial gains or losses arising from remeasurements of the net defined benefit liability are immediately recognised under OCI in the statement of comprehensive income.

The liabilities for post-employment benefits under defined contribution plans are recognised for the amount accrued at the reporting date.

Liabilities for other employee benefits are recognised for the amount accrued at the reporting date, including on the basis of actuarial assumptions when the benefits are of a non-current nature.

PROVISIONS FOR RISKS AND CHARGES

The group recognises provisions for risks and charges when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure that the group would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. When the effect of the time value of money is material, the group discounts the provisions using a pre-tax discount rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The group recognises revenue from contracts with customers when it transfers control of the good or service to the customer, either at a point in time or over time.

Contracts that respect the criteria for the recognition of revenue over time are classified as “Contract assets” or “Contract liabilities” depending on the degree of satisfaction of the performance obligation by the group and the payments received from the customer. Specifically:

- net contract assets represent the group’s right to consideration for the goods or services already transferred to the customer;
- contract liabilities represent the group’s obligation to transfer goods or services to a customer for which it has already received (or has the right to receive) the transaction price.

When a contract has multiple performance obligations, which are a promise in a contract to transfer a good or service that is distinct (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer) to a customer, classification as contract assets or liabilities is made considering all the performance obligations as a whole.

The group recognises contract assets and liabilities using the percentage of completion method to measure satisfaction of the performance obligation (paragraphs B14-B19 of IFRS 15 “Input methods”). Under this method, the contract costs, revenue and profit or loss are recognised in line with the percentage of completion of the contract, calculated by comparing the costs incurred at the measurement date and the total amount of costs included in the contract budget. The group regularly updates the assumptions underlying the contract budget to reflect the best estimate of the accrued contract consideration and profit or loss in its consolidated financial statements.

Conversely, if the group does not meet the requirements for the recognition of contract revenue over time, it recognises revenue at a point in time, i.e., when the customer obtains control of the promised goods or services.

Contract assets are presented net of impairment losses. The group regularly updates its estimates and recognises any resulting gains or losses immediately in profit or loss.

OTHER REVENUE AND INCOME

The group recognises all other revenue and income not directly related to the group's core business and that are not contract revenue in this caption.

GOVERNMENT GRANTS

The group recognises government grants at fair value, when it is reasonably certain that it will receive them and it has complied with the related conditions. Government grants are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to assets are presented by deducting their fair value from the carrying amount of the related asset. They are recognised as deferred income under liabilities when the related asset has not yet been placed in service, i.e., it is still under construction and its carrying amount is lower than the amount of the grant.

FINANCIAL INCOME AND EXPENSE

Interest is recognised on an accruals basis using the effective interest method, i.e., the rate that exactly discounts the estimated future cash payments or receipts (including any premiums, discounts, fees, etc.) of a specific transaction. Borrowing costs are capitalised when the conditions of IAS 23 are met.

DIVIDENDS

The group recognises a dividend payable when the dividend is appropriately authorised by the shareholders that have the right to receive the dividend and it is no longer at the discretion of the group. It recognises the dividend as a liability when its payment is authorised by the shareholders with any changes in the carrying amount of the dividend payable recognised in equity.

COSTS

Costs are recognised on an accruals basis assuming the group's ability to continue as a going concern.

EARNINGS PER SHARE

The group calculates basic earnings per share by dividing the profit or loss attributable to ordinary shareholders of the parent by the weighted average number of the ordinary shares outstanding in the year adjusted by treasury shares. For the purpose of calculating diluted earnings per share, the group adjusts profit or loss attributable to ordinary shareholders of the parent, and the weighted average number of shares outstanding (as defined above), for the effects of all dilutive potential ordinary shares.

SEGMENT REPORTING

The group operates in one sector - the development and marketing of cyber intelligence and cyber security products which implies that management reports and analyses its business using just one format. Therefore, in accordance with IFRS 8, the group does not provide segment reporting (assets and liabilities and/or revenue and costs) as this is not applicable.

USE OF ESTIMATES

The directors made judgements, estimates and assumptions when preparing the condensed interim consolidated financial statements at 30 June 2023 in accordance with the IFRS which affect the carrying amount of assets, liabilities, revenue and costs and the related disclosures. Estimates are based on the most recent information the directors have access to when preparing the consolidated financial statements. The standards and captions that required a high level of judgement are:

- Purchase price allocation (PPA) procedure: with respect to business combinations, the group recognises the identifiable assets acquired and liabilities assumed at their acquisition-date fair value against the consideration transferred to acquire control of an acquiree (PPA procedure). The group usually determines the fair value of the assets acquired and liabilities assumed by discounting the future cash flows. This method is highly complicated and involves the use of estimates, which are by their very nature uncertain and subjective, about:
    - the expected cash flows, calculated by taking into account the acquirees' financial performance and the performance of their business sectors, the actual cash flows for past years and projected growth rates;
    - the financial parameters used to calculate the discount rate.

- Liabilities for put options for non-controlling interests: they are recognised at the present value of the amount to be paid at the contractual deadlines. Measuring these liabilities entails the use of estimates based on the relevant entities' projections, which are tied to factors that may vary over time, affecting the directors' judgements and the variations may be significant.

- Contract assets and liabilities: in measuring contract assets and liabilities, the group determines whether revenue is to be recognised over time or at a point in time and estimates the percentage of completion based on the cost to cost method.

- Impairment of non-current assets: the group tests property, plant and equipment and intangible assets for impairment whenever an impairment indicator suggests that it will be difficult to recover the assets' carrying amount from their continuing use. This requires subjective judgements based on the information available within the group and on the market as well as past experience. In addition, if the group determines that an asset may be impaired, it calculates the impairment loss using suitable techniques. The correct identification of impairment indicators and the related estimates are tied to factors that may vary over time, affecting the directors' judgements and estimates.

- Fair value measurement: when measuring the fair value of an asset or a liability, the group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as described in the "Measurement of fair value" section.

- Lease liabilities: measurement of a lease liability is affected by the lease term, taken to be the non-cancellable period of a lease, together with both a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Assessment of the lease term entails the use of estimates which are tied to factors that may vary over time, with potential significant effects compared to the judgements made by the directors.

- Loss allowance: the group impairs non-performing exposures (customers with high credit risk or significant past due amounts) individually relying on past experience to estimate the expected credit losses. It revisits the estimates and assumptions regularly and any changes are recognised in profit or loss immediately.

- Defined benefit plans: the actuarial valuation of defined benefit plans requires the preparation of assumptions that may differ from actual future developments. The results are tied to the actuarial parameters used, such as the discount rate, the inflation rate, the salary increase rate and the expected employee turnover rate. The group reviews all these assumptions once a year.

- Deferred tax assets: they are recognised for all deductible temporary differences or unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be used. The group reviews the recognition of deferred tax assets based on financial projections, underpinned by estimates and assumptions which it also revisits regularly.

The actual figures for these captions for which the above estimates are used may differ from the carrying amounts presented in these condensed interim consolidated financial statements at 30 June 2023 due to the inherent uncertainty in the assumptions and judgements on which they are based. The group regularly reviews the estimates and assumptions and the effects of any changes are taken to profit or loss in the period of the change.

NEW STANDARDS AND INTERPRETATIONS

As required by IAS 8 - Accounting policies, changes in accounting estimates and errors, this section sets out the new standards and interpretations as well as amendments to the existing applicable standards and interpretations that are not yet effective at the reporting date but may become applicable by the group in the future.

a) New standards and amendments issued by the IASB and endorsed by the EU, the adoption of which is mandatory from annual periods beginning on or after 1 January 2023

	Issue date	Effective date	Endorsement date	EU regulation and publication date
IFRS 17 – Insurance contracts (including amendments published in June 2020)	May 2017 June 2020	1 January 2023	19 November 2021	(EU) 2021/2036 23 November 2021
Definition of accounting estimates (Amendments to IAS 8)	February 2021	1 January 2023	2 March 2022	(EU) 2022/357 3 March 2022
Disclosure of accounting policies (Amendments to IAS[7])	February 2021	1 January 2023	2 March 2022	(EU) 2022/357 3 March 2022
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May 2021	1 January 2023	11 August 2022	(EU) 2022/1392 12 August 2022
Initial application of IFRS 17 and IFRS 9 - Comparative information (Amendment to IFRS 17)	December 2021	1 January 2023	8 September 2022	(EU) 2022/1491 9 September 2022

The standards, amendments and interpretations, effective from 1 January 2023 and endorsed by the European Commission, are as follows:

- **New standard IFRS 17 - Insurance contracts (issued on 18 May 2017); including amendments published on 25 June 2020**

On 18 May 2017, the IASB published IFRS 17 - Insurance contracts, which replaces the current IFRS 4 - Insurance contracts.
The European Commission endorsed IFRS 17 (version published by the IASB on 18 May 2017 and subsequently amended on 25 June 2020) with Regulation (EU) 2021/2036 of 19 November 2021.
IFRS 17 replaced IFRS 4 and became effective on 1 January 2023. Earlier application was allowed for entities that had already applied IFRS 9 - Financial instruments or that started to apply that standard before the date of first-time application of IFRS 17.
IFRS 17 introduces some new features and, specifically:

- measurement of the technical provisions at substantially current values;
- transformation of the estimated expected profit of insurance contracts into an accounting figure; IFRS 17 introduces the concept of an expected profit from insurance contracts to be recognised in profit or loss over the period of the contract term;

7 The document published by the IASB includes amendments to IFRS Practice Statement 2 - Making materiality judgements, which were not endorsed by the EU as they do not relate to a standard or an interpretation.

- introduction of the concept of a "portfolio of insurance contracts" split into "groups of insurance contracts";
- new presentation in the statement of profit or loss which is considerably different to the past and more aligned to a "profit" logic.

- **Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2: Presentation of accounting policies)**

  On 12 February 2021, the IASB issued "Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)" to indicate the accounting policies to be disclosed in financial reports, in order to help entities in deciding which accounting policies to disclose in their financial statements.

  In this respect:

  - the amendments to IAS 1- Presentation of financial statements require entities to disclose their material accounting policies rather than their significant accounting policies;
  - the amendments to IFRS Practice Statement 2 - Making materiality judgements include guidance on the application of materiality to accounting policy disclosures.

  As the IFRS do not define what is meant by "significant", the amendments replaced the term with the term "material". In October 2018, the IASB refined its definition of material which is now aligned across the standards and the Conceptual framework. Accordingly, it is largely understood by the primary users of financial statements. Under IAS 1, accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

  In assessing the materiality of accounting policy disclosures, a entity shall consider the amount of the transaction, other events or conditions and also their nature. However, although a transaction, an other event or condition may be material in itself, the disclosure about it may be immaterial to an entity's financial statements.

  The amendments to IFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures. They aim to: (i) clarify that the application of materiality to accounting policy disclosures should mirror the guidelines for considering the materiality of other information, therefore considering both qualitative and quantitative factors; (ii) underline the importance of providing accounting policy disclosures that are specific for the group; (iii) provide examples of when generic or standard information, summarising or duplicating the IFRS requirements, may be considered material accounting policy disclosures.

- **Definition of accounting estimates (Amendments to IAS 8)**

  On 12 February 2021, the IASB issued "Definition of accounting estimates (Amendments to IAS 8)". These amendments help entities to distinguish between changes in accounting policies and in accounting estimates. They clarify that: (i) accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty"; (ii) entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty; (iii) a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors; and (iv) a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods.

  In order to clarify the relationship between an accounting policy and an accounting estimate, IAS 8 was amended to indicate that an accounting policy could require the measurement of financial statements captions at monetary amounts that cannot be readily observed and therefore shall be estimated (since they are subject to measurement uncertainty).

  In this case, accounting estimates are developed to comply with the accounting policy requirement by including judgements and assumptions based on the most recent reliable information available. The amendments explain how to apply valuation techniques and inputs to develop accounting estimates and establish that these techniques comprise both valuation and estimation techniques.

The amendments add guidance by clarifying that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. Moreover, a change in accounting estimate that results from new information is not the correction of an error. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

- **Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)**

On 7 May 2022, the IASB issued "Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)". The amendments clarify the accounting treatment of deferred tax related to assets and liabilities arising from a single transaction with carrying amounts different to their tax base.

The IASB clarified the following:

- exemptions to the initial recognition of deferred tax assets and liabilities do not apply when an asset and a liability arising from a single transaction are recognised and give rise to equal taxable and deductible temporary differences;
- an entity shall calculate deductible and taxable temporary differences considering the asset and liability arising from a single transaction separately and not their net value. Deferred tax assets related to deductible temporary differences, determined as set out above, are only recognised when deemed recoverable.

The board also clarified that, when the taxable and deductible temporary differences related to the initial recognition of an asset or a liability arising from a single transaction are unequal, the entity shall not recognise the deferred tax assets and liabilities as their initial recognition would entail the initial adjustment of the carrying amount of the asset or liability to which they refer, making the financial statements less transparent.

Generally speaking, the initial recognition exemption provided for by IAS 12 prevents an entity from recognising deferred tax assets and liabilities relating to the initial recognition of assets or liabilities arising from transactions other than business combinations that do not affect either reported or taxable profit. The amendments narrowed the scope of the initial recognition exemption.

The deferred tax assets and liabilities on the transactions affected by the amendments (e.g., leases and decommissioning obligations) are recognised at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings (or other component of equity) at that date.

- **Initial application of IFRS 17 and IFRS 9 - Comparative information (Amendment to IFRS 17)**

On 9 December 2021, the IASB issued "Initial application of IFRS 17 and IFRS 9 - Comparative information (amendment to IFRS 17). The amendment is 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.

The amendments, endorsed by the European Union, are effective for annual periods beginning on or after 1 January 2023. Earlier application is allowed.

The adoption of the new amendments from 1 January 2023 has not affected the group's condensed interim consolidated financial statements.

b) Standards and interpretations applicable to annual periods beginning on or after 1 January 2023 and NOT endorsed by the European Union at 30 June 2023

At the date of approval of these consolidated financial statements, the IASB had issued standards, interpretations and amendments, some of which were still at the consultation stage, not yet endorsed by the European Union. They include:

	Issue date by the IASB	**Effective date**
Classification of liabilities as current or non-current (Amendments to IAS 1) and Non-current liabilities with covenants (Amendments to IAS 1)	January 2020 July 2020 October 2022	1 January 2024
Lease liability in a sale and leaseback (Amendments to IFRS 16)	September 2022	1 January 2024
Amendments to IAS 12 - International Tax Reform – Pillar two model rules	24 April 2023	1 January 2024
Supplier finance arrangements (Amendments to IAS 7 and IFRS 7)	17 July 2023	1 January 2024

The group is assessing the impacts of the application of these new standards and amendments, which cannot reasonably be estimated at the date of preparation of these condensed interim consolidated financial statements.

SEASONALITY

Most of the deliveries and collections of trade receivables in the group’s business sector take place in the last quarter of the year.

This concentration of cash inflows affects both the annual cash flows and the group’s debt in various periods of the year with substantial improvements in the last few months of the calendar year.

NOTES TO THE STATEMENT OF PROFIT OR LOSS

1. REVENUE

(€)	H1 2023	H1 2022	Variation
Revenue	33,629,909	15,850,613	17,779,296
Change in contract work in progress	(532,944)	184,509	(717,453)
Total revenue	**33,096,965**	**16,035,122**	**17,061,843**

In the first half of 2023, revenue increased significantly by €17,061,843 to €33,096,965 as a result of:

i) the inclusion of the RCS Group's results for the entire first half of 2023, while the comparative figure solely included its figures for the second quarter of 2022, as well as the group's positive performance in the forensic intelligence segment, which contributed about €18 million to the increase in revenue;

ii) the subsidiary Diateam's revenue of approximately €1.6 million;

iii) an approximate €6 million drop in the parent's revenue.

The RCS Group's revenue for the first half of 2023 approximated €27 million and was mostly earned by RCS ETM Sicurezza S.p.A..

The change in contract work in progress of a negative €532,944 is the sum of revenue recognised over time on ongoing contracts (mostly acquired in the second quarter of the year) and revenue from the completion of contracts during the period.

A breakdown of revenue recognised at a point in time (i.e., with delivery of the good/service) or over time is provided below:

(€)	Revenue from sales and services	Change in contract work in progress
Recognised at point in time	15,302,877	-
Recognised over time	18,327,032	(532,944)
Total	**33,629,909**	**(532,944)**

2. OTHER REVENUE AND INCOME

(€)	H1 2023	H1 2022	Variation
R&D tax benefit	495,975	329,339	166,636
Grants	213,692	202,910	10,782
Other	279,749	133,830	145,919
Total	**989,417**	**666,079**	**323,337**

Other revenue and income mostly consist of the R&D tax benefit of €495,975 and the accrued portion of grants related to income of €213,692, relating to certain ongoing projects partly funded by EU grants. "Other" of €279,749 mainly includes the tax benefit for operating assets recognised by RCS.

3. PURCHASES, SERVICES AND PERSONNEL EXPENSES

A breakdown of purchases, services and personnel expenses is as follows:

(€)	H1 2023	H1 2022	Variation
Raw materials, consumables, supplies and goods	1,910,456	472,724	1,437,732
Change in inventories	318,364	(10,285)	328,649
Total purchases	**2,228,819**	**462,439**	**1,766,381**
Consultancy services	3,176,570	3,351,010	(174,440)
Subcontractors	408,738	10,540	398,198
Commercial services	909,643	246,455	663,188
Telephone	1,274,953	712,327	562,627
Directors' fees	240,463	164,495	75,968
General and administrative services	110,727	99,513	11,214
Maintenance	644,861	343,391	301,470
Other costs	5,424,314	2,909,684	2,514,630
Leases and related costs	878,180	403,003	475,177
Total services	**13,068,451**	**8,240,419**	**4,828,032**
Wages and salaries	13,530,443	6,501,852	7,028,592
Social security contributions	3,697,365	1,956,682	1,740,683
Post-employment benefits	667,819	349,141	318,678
Pension and similar benefits	73,413	65,188	8,226
Other costs	130,613	134,274	(3,661)
Total personnel expenses	**18,099,654**	**9,007,136**	**9,092,518**
Capitalised development expenditure	**(2,699,650)**	**(1,120,387)**	**(1,579,263)**
Total	**30,697,274**	**16,589,606**	**14,107,667**

3.1 PURCHASES

This caption increased by €1,766,381, mostly due to the following:

- the inclusion of the RCS Group's purchase costs for the whole first half of 2023, while the comparative figure solely included its figures for the second quarter of 2022;
- the inclusion of Diateam's (consolidated since 2023) purchase costs of €216,756.

3.2 SERVICES

Service costs increased by 4,828,032 compared to the first half of 2022. This increase is mainly related to:

- the inclusion of the RCS Group's costs for the whole first half of 2023, while the comparative figure solely included its figures for the second quarter of 2022, which led to a rise of €2,359,363;
- the costs incurred by the subsidiary Diateam during the first half of 2023 (€188,559);
- the costs of the organisational and strategic consultancy services incurred for the corporate integration and the translisting process that the parent completed at the end of June 2023 with the listing of its shares on the Euronext Growth Milan segment (€2,364,377);
- the consultancy service costs incurred in connection with the acquisition of Diateam (€76,390);
- higher capitalised development expenditure.

The caption also includes the cost for the use of third party assets, i.e., leased assets that are not recognised in accordance with IFRS 16 as the asset is of low, value, the lease term is short or the lease includes variable payments.

3.3 PERSONNEL EXPENSES

The €9,092,518 increase in this caption is predominately due to the inclusion of the RCS Group's personnel expenses for the entire six-month period, while they contributed solely for the second quarter in 2022 (increase of €6,225,616), and those of Diateam, acquired in January 2023 (€696,910). Moreover, during the first half of 2023, the group continued to strengthen its workforce with 67 new hires taken on for the sales department, to strengthen its footprint in strategic markets, and the technical development and delivery teams to deal with the greater business volumes, while 44 people left the group. Moreover, the acquisition of Diateam added 28 people to the group's workforce.

Headcount

The following table shows the group's workforce at the reporting date and changes during the period, which only comprised the parent's figures at 1 January 2023:

	Managers	Junior managers	White collars	Apprentices	Other	Total
31.12.2022	**22**	**52**	**332**	**35**	**1**	**442**
Diateam acquisition	2	17	4	5		**28**
New hires (+)		8	45	14		**67**
Promotions	1	(1)				**-**
Departures (-)	(3)	(8)	(25)	(8)		**(44)**
30.06.2023	**22**	**68**	**356**	**46**	**1**	**493**

The average workforce for the period is as follows:

	Managers	Junior managers	White collars	Total
Average Number of Employees	22.3	64.69	393.11	480.1

3.4 CAPITALISED DEVELOPMENT EXPENDITURE

Capitalised development expenditure amounts to €2,699,500. More information is available in note 10.

4. AMORTISATION, DEPRECIATION AND NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Amortisation and depreciation (€)	H1 2023	H1 2022	Variation
Amortisation of intangible assets	6,375,117	3,571,396	2,803,721
Depreciation of property, plant and equipment	879,510	305,034	574,477
Depreciation of right-of-use assets	869,705	614,936	254,769
Total	**8,124,332**	**4,491,366**	**3,632,967**

Net impairment losses (€)	H1 2023	H1 2022	Variation
Individual impairment losses on financial assets	186,096	-	186,096
IFRS 9 impairment (gains) losses	(79,965)	146,500	(226,465)
Total	**106,131**	**146,500**	**(40,369)**

Amortisation of €6,375,117 mostly refers to the capitalised development expenditure (€1,511,249), software licences (€2,505,309) and software identified during the PPA procedure for the RCS Group (€2,045,428).

The increase for the period is mainly attributable to:

- the inclusion of the RCS Group's amortisation expense (€1,065,286) for the entire first half of 2023, while the comparative figure solely included its figures for the second quarter of 2022;
- amortisation (approximately €1 million) of the software identified during the PPA procedure for the RCS Group business combination, which only affected the second quarter of 2022;
- the parent's larger investments in R&D, applied software and licences (€1.4 million).

Depreciation of €879,510 chiefly relates to office electronic equipment and equipment used in the group's normal business operations.

The caption also includes depreciation of right-of-use assets of €869,705 in accordance with IFRS 16.

Net impairment losses of €106,131 reflect management's assessments about the recoverability of financial assets recognised at the reporting date in line with the IFRS 9 guidance about impairment, which led to the recognition of impairment gains of €79,965, and management's assessment of individual positions prudently deemed to be irrecoverable (€186,096).

5. OTHER OPERATING COSTS

(€)	H1 2023	H1 2022	Variation
Consumables	4,225	1,843	2,382
Contributions and membership fees	41,240	17,134	24,105
Maintenance and repairs of third party buildings	-	2,950	(2,950)
Other	263,543	194,514	69,029
Total	**309,007**	**216,441**	**92,566**

Other operating costs mainly include other costs of €263,543, which chiefly comprise costs relating to the RCS Group (€239,516).

The caption also includes contributions and membership fees (€39,794), which include the cost of the Women4Cyber project.

6. NET FINANCIAL EXPENSE

(€)	H1 2023	H1 2022	Variation
Financial income	199,128	85	199,042
Financial expense	(1,116,195)	(308,802)	(807,393)
Net financial expense	**(917,067)**	**(308,717)**	**(608,351)**

Financial income mainly relates to the financial investments made by Diateam (€83,511). The remainder is due to exchange gains.

Financial expense mostly consists of bank fees (€159,316) and interest expense on loans and borrowings (€647,037).

7. INCOME TAXES

Income taxes totalled €3,224,554 and include current taxes of €438,829 and deferred taxes of €3,663,383.

(€)	H1 2023	H1 2022	Variation
Current taxes	438,829	(444,962)	883,791
Deferred taxes	(3,663,383)	(274,434)	(3,388,949)
Total	**(3,224,554)**	**(719,396)**	**(2,505,159)**

This caption mostly comprises:

- current taxes of €438,829 relating to the subsidiaries RCS S.p.A., DARS and DIATEAM;
- net deferred taxes of €3,663,383 recognised by the parent and the subsidiary RCS.

The group recognised deferred tax assets mostly on tax losses, the ACE (Aid to economic growth) benefit not used during the period and temporary differences identified during calculation of the tax expense for the period. These deferred tax assets were recognised during the period after the directors assessed their full recoverability through future taxable profits that the group will realise over the next few years.

Changes in deferred tax assets and liabilities are shown below:

	31/12/2022	Change in cons. scope	Accruals (releases) to profit or loss	Accruals (releases) to OCI	30/06/2023
Deferred tax assets arising from:					
Tax losses	1,964,106	-	3,043,673	-	5,007,779
ACE	672,221	-	-	-	672,221
Taxed provisions	(31,143)	-	(7,430)	-	(38,573)
IFRS-EU FTA	204,557	-	33,705	-	238,262
Other	4,789	-	2,600	-	7,389
Actuarial losses	19,387	-	82	14,565	34,034
Deferred tax assets	**2,833,917**	**-**	**3,072,630**	**14,565**	**5,921,112**
Deferred tax liabilities arising from:					
Difference between the carrying amount and the fair value of net assets acquired as part of a business combination	(2,652,715)	-	589,492	-	(2,063,223)
IFRS-EU FTA	(116,551)	-	1,151	(21,445)	(136,845)
Fair value gains on hedging instruments	(168,070)	-	-	10,048	(158,022)
Deferred tax liabilities	**(2,937,336)**	**-**	**569,201**	**(11,397)**	**(2,358,090)**
Net deferred tax assets (liabilities)	**(103,419)**	**-**	**3,641,831**	**3,168**	**3,563,022**

8. BASIC LOSS PER SHARE

The basic loss per share is €0.12, calculated by dividing the loss for the period of €2,842,875 by the average number of shares outstanding in the period (23,571,428).

9. GOODWILL

At 30 June 2023, goodwill amounts to €44,330,384, including:

- €35,798,629 arising from the acquisition of the RCS Group completed on 29 March 2022;
- €8,531,755 arising from the provisional allocation of the consideration transferred for the acquisition of Diateam completed on 30 January 2023 (see the note “Business combinations”).

Including on the basis of the results for the first half of 2023, the board of directors did not identify any indicators of impairment and, therefore, did not test the carrying amount of goodwill at 30 June 2023 for impairment.

10. INTANGIBLE ASSETS

(€)	30/06/2023	31/12/2022	Variation
Development expenditure	6,329,454	5,106,822	1,222,631
Industrial patents and intellectual property rights	9,278,648	6,233,802	3,044,846
Concessions, licences, trademarks and similar rights	9,969,651	10,436,374	(466,723)
Assets under development and payments on account	15,576	1,729,000	(1,713,424)
Other	2,071,977	2,327,665	(255,689)
Total	**27,665,304**	**25,833,664**	**1,831,640**

At 30 June 2023, intangible assets amount to €27,665,304, showing a net increase of €1,831,640 on the previous year end, mostly due to industrial patents (€3,044,846) to acquire licences and development expenditure (€1,222,631).

Development expenditure of €6,329,454 (€14,538,030 net of accumulated amortisation of €8,208,576) mostly relates to the cost of developing four projects and of the employees and external technical consultants involved directly in the development activities.

After carrying out the necessary checks, the directors deemed that this expenditure met the criteria for capitalisation. It is amortised over the period of time estimated necessary to recoup the investments made.

Changes in intangible assets during the period are as follows:

(€)	Historical cost at 31 Dec. 2022	Net acc. amort. at 31 Dec. 2022	Carrying amount at 31 Dec. 2022	Increases Acquisition of Diateam	H1 2023 increases	H1 2023 decreases Historical costs	H1 2023 decreases Acc. amort.	Reclass.	Historical cost at 30 June 2023	H1 2023 amortisation	Net acc. Amort. at 30 June 2023	Carrying amount at 30 June 2023
Start-up and capital costs	2,393	(2,393)	-	-	-	-			2,393		(2,393)	
Development expenditure	10,583,837	(5,477,015)	5,106,822	-	2,770,894	-	-		13,354,732	(1,548,263)	(7,025,278)	6,329,454
Industrial patents	9,819,350	(3,585,548)	6,233,802	-	3,387,416	(30,000)	(30,000)	1,369,000	14,545,767	(1,711,571)	(5,267,119)	9,278,648
Concessions, licences, trademarks and similar rights	14,061,646	(3,625,272)	10,436,374	162,316	1,508,272	-	31,572	360,000	16,092,234	(2,465,739)	(6,122,583)	9,969,651
Assets under development and payments on account	1,729,000	-	1,729,000	-	15,576	-	-	(1,729,000)	15,576	-	-	15,576
Other	3,329,214	(1,001,548)	2,327,665	-	394,640	(621,733)	(621,733)		3,102,121	(650,329)	(1,030,144)	2,071,977
Total	**39,525,441**	**(13,691,776)**	**25,833,664**	**162,316**	**8,076,798**	**(651,733)**	**(620,161)**		**47,112,822**	**(6,375,902)**	**(19,447,517)**	**27,665,305**

11. PROPERTY, PLANT AND EQUIPMENT

(€)	30/06/2023	31/12/2022	Variation
Land and buildings	355,040	-	355,040
Plant and machinery	304,429	259,501	44,928
Industrial and commercial equipment	3,154,130	2,405,307	748,824
Other assets	2,202,869	2,068,027	134,842
Assets under construction and payments on account	216,908	-	216,908
Total	**6,233,376**	**4,732,835**	**1,500,541**

At 30 June 2023, this caption amounts to €6,233,376 with a net increase of €1,500,541 on the previous year end, mostly due to the investments made in industrial and commercial equipment (€748,824), the increase in land and buildings (€355,040) following the acquisition of Diateam and the increase in assets under construction and payments on account (€216,908) in connection with the investments made by RCS S.p.A. for the production of an innovative audio-video peripheral.

Other assets of €2,203,914 principally consist of office furniture, fittings and equipment.

Changes in this caption during the period are as follows:

(€)	Historical cost at 31 Dec. 2022	Net acc. depr. at 31 Dec. 2022	Carrying amount at 31 Dec. 2022	Increases Acquisition of Diateam	H1 2023 increases	H1 2023 decreases Historical cost	H1 2023 decreases Acc. depreciation	Reclass.	Historical cost at 30 June 2023	H1 2023 depreciation	Net acc. depr. at 30 June 2023	Carrying amount at 30 June 2023
Land and buildings	-	-		382,186	0	-	-	-	382,186	(27,146)	(27,146)	355,040
Plant and machinery	1,403,777	(1,144,276)	259,501	-	86,289	-	-	-	1,490,066	(41,361)	(1,185,637)	304,429
Industrial and commercial equipment	13,660,666	(11,255,360)	2,405,307	166,374	1,059,970	(667,846)	(667,846)	-	14,219,164	(478,305)	(11,065,819)	3,153,345
Other assets	8,627,082	(6,559,055)	2,068,027	-	471,840	(130,783)	(127,527)	-	8,968,139	(332,698)	(6,764,226)	2,203,914
Assets under construction and payments on account	-	-	-	-	223,722	(7,074)	-	-	216,648	-	-	216,648
Total	**23,691,525**	**(18,958,690)**	**4,732,835**	**548,560**	**1,841,822**	**(805,703)**	**(795,373)**	**-**	**25,276,204**	**(879,511)**	**(19,042,828)**	**6,233,376**

12. RIGHT-OF-USE ASSETS

(€)	30/06/2023	31/12/2022	Variation
Building	2,169,004	1,934,643	234,362
Hardware	1,224,877	827,162	397,715
Vehicles	412,111	430,955	(18,844)
Total	**3,805,992**	**3,192,760**	**613,233**

At 30 June 2023, right-of-use assets amount to €3,805,992 and relate to the group's leased offices (€2,169,004) and hardware used as part of the RCS Group's normal business activities (€1,224,877).

The depreciation period of right-of-use assets is six years for the office building, five years for hardware and four years for the vehicles. The group elected not to include short-term leases (with a term of less than 12 months) and those with underlying assets of a low value in this caption and their lease payments are included in the caption "Purchases, services and personnel expenses".

13. CURRENT AND NON-CURRENT FINANCIAL ASSETS

Current financial assets (€)	30/06/2023	31/12/2022	Variation
Guarantee deposits	156,557	146,507	10,050
Derivatives	272,209	303,985	(31,775)
Policies on active contracts	26,492	26,492	-
Loss allowance	(1,872)	(1,914)	42
Other	-	857,243	(857,243)
Total	**453,386**	**1,332,312**	**(878,926)**

Current financial assets mostly consist of hedging derivatives of €272,209, entered into to hedge interest rate risk on outstanding loans, and guarantee deposits of €156,557, mainly given for the leased buildings. The decrease is mostly due to the collection of the price adjustment provided for by the acquisition agreement for the RCS Group (€857 thousand).

Non-current financial assets (€)	30/06/2023	31/12/2022	Variation
Guarantee deposits	61,888	45,060	16,828
Derivatives	420,184	430,274	(10,090)
Loss allowance	(626)	(310)	(316)
Other securities	800,015	-	800,015
Total	**1,281,461**	**475,024**	**806,437**

Non-current financial assets mostly consist of the non-current portion of hedging derivatives entered into to hedge interest rate risk on outstanding loans and other securities of €800,015 relating to investments in financial instruments made by the subsidiary Diateam.

14. EQUITY INVESTMENTS

This caption of €566,451 includes the equity-accounted investment in the associate SAS Foretec (€550,796) and the investment in the subsidiary Aurora France (€15,656) which is not consolidated due to its immateriality (see the "Consolidation scope and basis of consolidation" paragraph in the accounting policies section). The investment in the German subsidiary RCS GmbH is fully impaired.

15. NON-CURRENT TAX ASSETS

(€)	30/06/2023	31/12/2022	Variation
R&D tax benefit	1,274,823	1,485,135	(210,311)
Tax benefit for assets used in operations	649,954	316,517	333,436
Other	4,623	4,623	-
Total	**1,929,399**	**1,806,275**	**123,125**

Non-current tax assets mostly comprise the R&D tax benefit (€1,274,823) and the tax benefit under Law no. 178/2020 for the purchase of assets used in operations for the amount to be netted starting from 2024 (€649,954) in accordance with the ruling tax legislation.

16. INVENTORIES

(€)	30/06/2023	31/12/2022	Variation
Finished goods and products	485,312	777,399	(292,086)
Total	**485,312**	**777,399**	**(292,086)**

Finished goods and products amount to €485,312 and relate to RCS ETM Sicurezza S.p.A., mostly comprising external hard disks and other similar products used in its business.

17. CONTRACT ASSETS AND LIABILITIES

Contract assets: €3,436,599 (€3,625,192)

Contract liabilities: €512,569 (€4,582,279)

Contract assets include the net value of projects carried out for amounts greater than the advances received from customers. Similarly, contract liabilities include the opposite situation (when the advances received from customers exceed the value of the projects performed).

When advances have not been received at the reporting date, they are recognised under trade receivables.

The net balance of contract assets comprises:

(€)	30/06/2023	31/12/2022	Variation
Contract assets (gross)	3,609,678	4,189,610	(579,933)
Contract liabilities	(156,175)	(545,450)	389,275
Loss allowance	(16,904)	(18,968)	2,064
A. Contract assets (net)	**3,436,599**	**3,625,192**	**(188,593)**
Contract liabilities (gross)	(527,397)	(4,598,300)	4,070,903
Contract assets	14,828	16,021	(1,193)
B. Contract liabilities (net)	**(512,569)**	**(4,582,279)**	**4,069,711**
(A - B). Net contract assets (liabilities)	**2,924,030**	**(957,087)**	**3,881,118**

The increase in contract assets is mostly due to progress made on forensic intelligence B2G contracts.

18. TRADE RECEIVABLES

(€)	30/06/2023	31/12/2022	Variation
Customers	60,231,506	60,237,826	(6,321)
Parents	4,854,060	5,524,590	(670,529)
Subsidiaries	8,017	8,017	-
Loss allowance	(1,218,152)	(1,282,214)	64,062
Total	**63,875,432**	**64,488,220**	**(612,788)**

Trade receivables of €65,093,583 (including invoices to be issued of €26,984,048) include €60,231,507 due from customers, €4,854,060 from the shareholder Elettronica S.p.A. and €8,017 due from the subsidiary Aurora France which is not consolidated due to its immateriality, as already commented on in the accounting policies section. The caption also includes a loss allowance of €1,218,152, which includes the accumulated impairment losses estimated in accordance with IFRS 9. A specific section of these notes provides information about the management of credit risk.

Thanks to the group's improved operating efficiency, trade receivables are in line with the previous year end despite the increase in revenue. The newly-acquired Diateam contributed trade receivables of €1,556,020 (net of a loss allowance of €26,543).

19. CURRENT TAX ASSETS

(€)	30/06/2023	31/12/2022	Variation
VAT	2,729,618	1,736,378	993,239
IRES (corporate income tax) - IRAP (regional production tax)	517,189	404,949	112,240
R&D tax benefit	1,025,751	1,574,502	(548,751)
Tax benefit for assets used in operations	970,170	286,112	684,058
Other	26,174	158,632	(132,458)
Total	**5,268,902**	**4,160,573**	**1,108,329**

This caption mostly consists of VAT (€2,729,618), the current part of the R&D tax benefit (€1,025,751) recognised for investments made, the tax benefit for assets used in operations (€970,170) and current income tax assets (€517,189).

20. OTHER CURRENT ASSETS

(€)	30/06/2023	31/12/2022	Variation
Other assets	571,476	356,513	214,962
Prepayments	3,795,570	2,387,046	1,408,523
Loss allowance	(1,338)	(3,012)	1,674
Total	**4,365,707**	**2,740,548**	**1,625,159**

Other current assets mainly comprise payments on account to suppliers and prepaid maintenance instalments for software licences used on internal infrastructure, as well as prepaid consultancy services and insurance policies.

21. CASH AND CASH EQUIVALENTS

(€)	30/06/2023	31/12/2022	Variation
Bank and postal deposits	10,716,085	19,820,142	(9,104,057)
Cash-in-hand and cash equivalents	107,340	66,201	41,138
Loss allowance	(645)	(838)	194
Total	**10,822,780**	**19,885,505**	**(9,062,725)**

The reporting-date balance is mostly comprised of net cash inflows for the period. The decrease over 31 December 2022 is due to the unavoidable use of cash in the first few months of the year, due to the business seasonality factor. In early July 2023, the group cashed €4,124,100 for projects delivered to customers, which was expected to be collected before the end of the period. The group's cash and cash equivalents are not restricted.

22. EQUITY

(€)	30/06/2023	31/12/2022
Share capital	1,441,500	1,441,500
Share premium	108,539,944	108,539,944
Other reserves	11,120,435	8,926,237
Profit (loss) for the period/year	(3,235,584)	2,209,462
Total equity	**117,866,295**	**121,117,142**
Share capital and reserves attributable to non-controlling interests	1,422,648	1,158,273
Profit for the year attributable to non-controlling interests	392,709	264,375
Equity	**119,681,652**	**122,539,790**

At 30 June 2023, the parent's subscribed and paid-up share capital amounts to €1,441,449 and it consists of 23,571,428 shares as follows:

- 9,045,912 ordinary shares, subscribed at their nominal amount of €553,248 by Elettronica S.p.A., plus a premium of €13,803,783;
- 3,809,524 ordinary shares, subscribed at their nominal amount of €232,946 by TEC Cyber S.p.A., plus a premium of €39,573,335;
- 10,715,992 ordinary shares listed on the Euronext Growth Milan (formerly AIM Italia) segment of the Milan Stock Exchange, subscribed at their nominal amount of €655,306 plus a premium of €111,317,724 held by other shareholders on the market.

The share premium amounts to €108,539,944.

The other reserves amount to a €11,120,435 at the reporting date.

23. NON-CURRENT EMPLOYEE BENEFITS

(€)	30/06/2023	31/12/2022	Variation
Post-employment benefits	3,217,903	2,894,479	323,424
Total	**3,217,903**	**2,894,479**	**323,424**

Employee benefits include the post-employment benefits, which correspond to the company's estimated obligation, calculated using actuarial techniques, of the amount to be paid to its employees upon termination of the employment relationship. The Italian budget law and its implementing decrees introduced significant changes to the Italian post-employment benefits (TFR), including the employee's right to choose where to allocate their accruing benefits, starting from 1 January 2007. Specifically, benefits accruing after that date are transferred either to a third party pension fund or are kept by the employer which has to transfer them to a treasury fund set up by INPS (the Italian social security institution).

The reform changed the nature of the TFR accruing after its enforcement from a defined benefit plan to a defined contribution plan.

The actuarial assumptions applied at the reporting date are summarised below:

	CY4GATE Group
Discount rate	3.66%
Inflation rate	2.70%
Nominal rate of wage growth	2.70%
Blue collars	2.70%
White collars	2.70%
Junior managers	2.70%
Executives	2.70%
Managers	2.70%
Labour turnover rate	14.50%
Probability of request of advances of TFR	0.70%
Percentage required in case of advance	70.00%
Life table - Males	M2019
Life Table - Females	F2019

The sensitivity analyses are shown in the next table:

	CY4GATE Group
Main assumptions	**3,217,903**
Discount rate (+0.5%)	3,125,201
Discount rate (-0.5%)	3,315,952
Rate of payment increases (+0.5%)	3,222,735
Rate of payment decreases (-0.5%)	3,212,849
Rate of price inflation increases (+0.5%)	3,258,232
Rate of price inflation decreases (-0.5%)	3,177,413
Rate of salary increases (+0.5%)	3,249,323
Rate of salary decreases (-0.5%)	3,187,580
Increase in retirement age (+1 year)	3,217,433
Decrease in retirement age (-1 year)	3,218,536
Increase in longevity (+1 year)	3,217,872
Decrease in longevity (-1 year)	3,217,936

24. CURRENT AND NON-CURRENT PROVISIONS

Current provisions (€)	30/06/2023	31/12/2022	Variation
Provision for product warranties	91,152	122,111	(30,959)
Total	**91,152**	**122,111**	**(30,959)**

The provisions include a warranty provision related to the sale of licences which have a legal warranty and/or a warranty of the proper performance of the licences sold. The group does not have non-current provisions at the reporting date.

25. NON-CURRENT FINANCIAL LIABILITIES

(€)	30/06/2023	31/12/2022	Variation
Bank loans and borrowings	15,895,967	11,513,784	4,382,183
Other financial liabilities	5,439,676	-	5,439,676
Other loans and borrowings	-	230,786	(230,786)
Total	**21,335,643**	**11,744,570**	**9,591,073**

Non-current financial liabilities mainly comprise:

- the portion of the loan repayable after 12 months disbursed by Crédit Agricole Italia S.p.A., the agent of a bank syndicate. The loan has a maximum drawdown amount of €45,000,000 and, at the reporting date, the parent had only used the portion earmarked for the partial financing of the acquisition of the RCS Group (Line A) of €12,500,000 recognised at an amortised cost of €9,280,080;
- the portion of the loan earmarked for the acquisition of Diateam (acquisition/capex line) of €5,207,861 out of a maximum drawdown amount of €25,000,000 usable for future investments and M&A;
- the non-current portion of the loan disbursed by Intesa San Paolo to the RCS group (€1,129,605);
- the outstanding loan of the acquiree Diateam (€278,421);

- the non-current portion of €5,439,676 of the financial liability recognised under the anticipated acquisition method adopted by the group for the put options granted to non-controlling investors as provided for by Diateam's acquisition agreement, which would enable the parent to acquire 100% of its share capital.

A breakdown of the group's loans at the reporting date is as follows:

€	Lender	Interest rate	Maturity date	Nominal amount	Carrying amount	Non-current portion June 2023	Current portion June 2023
Syndicate loan - Line A[1]	Crédit Agricole, ICCREA	6M Euribor + 200 b.p.	29/03/2028	12,500,000	11,281,026	9,280,080.46	1,423,430.54
Syndicate loan - capex line	Crédit Agricole, ICCREA	6M Euribor + 200 b.p.	29/03/2028	5,555,052	5,555,052	5,207,860.94	347,190.73
Intesa San Paolo loan[2]	Intesa San Paolo	3M Euribor + 90 b.p.	25/06/2025	1,880,015	1,873,031	1,129,604.73	374,251.74
Unicredit loan[2]	Unicredit	3M Euribor + 50 b.p.	31/12/2023	500,000	499,612	-	254,428.89
Intesa San Paolo loan[2]	Intesa San Paolo	6M Euribor + 132 b.p.	15/12/2023	575,000	573,119	-	286,865.00
Banca Popolare di Sondrio loan	Banca Popolare di Sondrio	1.04%	01/01/2024	675,000	671,220	-	426,436.95
Crédit Mutuel Bretagne loan	Crédit Mutuel Bretagne	1.15%	17/06/2029	550,000	550,000	278,421.07	62,618.15
				22,235,067	**21,003,060**	**15,895,967**	**3,175,222**

[1] Spread subject to change in line with the contractually-defined NFP/EBITDA ratio
[2] Floor at 0 on 6M/3M Euribor

The loan agreement with Crédit Agricole Italia establishes that repayment of the Line A principal is to take place in 11 six-monthly instalments as per the agreed repayment plan. The parent will also pay the interest accrued on the amounts drawn down and not repaid during each interest period at the 6M/360 Euribor plus a spread of 225 bps. The parent has entered into a hedge for the interest rate risk on the entire amount.

The spread added to the interest rate for each facility may increase or decrease every six months in line with changes in the net financial position/EBITDA (NFP/EBITDA) ratio, calculated using the consolidated financial statements or the condensed interim consolidated financial statements, starting with a base ratio of 2x (the "financial covenant"). The parent agreed to comply with the financial covenant and accepted that the lending banks and the agent bank may take the contractually-provided measures and remedies should it not comply.

Compliance with the financial covenant is checked every six months on a rolling basis (i.e., considering the figures for the previous 12 months) starting from those for the year ended 31 December 2022. The financial covenant was complied with at 30 June 2023.

In addition, the loan agreement establishes limitations to the parent's distribution of profits and/or dividends. Specifically, it may not distribute profits and/or dividends or pay any amount for whatsoever reason or in whatsoever form to its shareholders, except for payments due under commercial agreements and/or employment contracts (including, for example, as repayments of principal, interest or other charges on shareholder loans, including bond issues, or as a fee for services rendered and/or management fees) (each transaction is a "distribution"), unless all of the following conditions are met:

- the first distribution takes place after approval of the parent's separate financial statements at 31 December 2022;
- throughout the term of the loan agreement, each distribution shall not exceed 50% (fifty percent) of the accounting profit reported in the parent's separate financial statements for the year immediately preceding that in which the distribution is to be made;
- at the distribution date, no significant event has taken place and the distribution is not in itself a significant event (as defined in the loan agreement).

The remainder of the loan, which has not yet been drawn down, comprise a medium to long-term revolving cash facility of up to €7,500,000 to finance cash requirements of the parent and its group.

The balance incudes other non-current loans of €1,408,026, including €1,129,605 relating to the RCS Group and

€278,421 to Diateam.

The group takes decisions about financing and investing transactions in line with prudence and risk limitation criteria. It has not entered into speculative transactions. It has hedged financial risk, and specifically interest rate risk, by entering into two interest rate swaps in order to hedge the risk of fluctuations in the interest rates applied to its loans.

The above interest rate swaps qualify as hedges and their effect on profit or loss for the period solely relates to the recognition of the interest rate differentials accrued at the reporting date.

25.1 NET FINANCIAL INDEBTEDNESS

As required by Consob communication no. DEM/6064293 of 28 July 2006 and in accordance with its call for attention no. 5/21 of 29 April 2021 referring to the ESMA guidelines no. 32-382-1138 of 4 March 2021, the group's net financial indebtedness is broken down in the following table:

(€)	30/06/2023	*of which: with related parties*	31/12/2022	*of which: with related parties*	Variation
A. Cash	10,822,780		19,885,505		(9,062,725)
B. Cash equivalents	0		0		
C. Other current financial assets	181,177		1,028,328		(847,151)
D. Liquidity (A+B+C)	**11,003,956**		**20,913,833**		**(9,909,877)**
E. Current financial debt	(3,125,495)		(1,323,625)		(1,801,870)
F. Current portion of non-current financial debt	(3,564,061)	*239,961*	(3,198,853)	*233,171*	(365,208)
G. Current financial indebtedness (E+F)	**(6,689,556)**		**(4,522,478)**		**(2,167,078)**
H. Net current financial position (G+D)	**4,314,400**		**16,391,355**		**(12,076,955)**
I. Non-current financial debt	(21,417,416)	*844,158*	(13,374,094)	*964,971*	(8,043,322)
J. Debt instruments	0		0		
K. Non-current trade and other liabilities	0		0		
L. Non-current financial indebtedness (I+J+K)	**(21,417,416)**		**(13,374,094)**		**(8,043,322)**
M. Total financial position (indebtedness) (H+L)	**(17,103,016)**		**3,017,261**		**(20,120,277)**
N. Non-current financial assets	861,277		44,750		816,527
Net financial position (indebtedness) (M+N)	**(16,241,738)**		**3,062,011**		**(19,303,749)**
O. Adjustments for atypical events and/or non-recurring transactions	5,439,676		**0**		**5,439,676**
Adjusted net financial position (indebtedness) (M+N+O)	**(10,802,062)**		**3,062,011**		**(13,864,073)**

Caption "C. Other current financial assets" includes the caption "Current financial assets" of these condensed interim consolidated financial statements (€453,386), excluding the derivatives classified therein (€272,209).

Caption "E. Current financial debt" includes the current portion of the following captions of these condensed interim financial statements: other loans and borrowings (€254,930), other bank facilities (€180,845) and bank loans and borrowings (€967,729).

Caption "F. Current portion of non-current financial debt" includes the current portion of the following captions of these condensed interim financial statements: bank loans and borrowings (€2,207,490), current lease liabilities (€1,202,342) and derivative assets (€272,209).

Caption "I. Non-current financial debt" includes the non-current portion of the following captions of these condensed interim financial statements: bank loans and borrowings (€15,895,967), put option liabilities (as per the Diateam acquisition agreement, €5,439,676), lease liabilities (€2,650,384) and derivative assets (€420,184).

Caption "N. Non-current financial assets" includes the caption "Non-current financial assets" of these condensed interim consolidated financial statements (€1,281,462), excluding the derivatives classified therein (€420,184).

The group's net financial position of €3,062,011 at the previous year end decreased by €13,864,073 to net financial indebtedness (financial liabilities exceeding financial assets) of €10,802,062 at the reporting date.

Such worsening is mainly due to the combined effect of:

- a €9,062,725 decrease in cash and cash equivalents, mainly due to the unavoidable use of cash during the first part of the year due to the seasonal nature of the group's business and the delayed collection of payments for certain important contracts, which were collected in July 2023;
- an €10,210,400 increase in loans and borrowings, mainly due to the amount drawn down from the capex facility to fully fund the consideration for the acquisition of 53.33% of Diateam and the recognition of the liability for the put option that the non-controlling investors may exercise from 2024 to 2026 under the acquisition agreement.

The adjustments for atypical events and/or non-recurring transactions include the financial liability recognised under the anticipated acquisition method adopted by the group as a balancing entry to goodwill in order to reflect the present value of the liability for the put option provided for by Diateam's acquisition agreement. The non-controlling investors may exercise it from 2024 to 2026.

26. NON-CURRENT LEASE LIABILITIES

(€)	30/06/2023	31/12/2022	Variation
Lease liabilities	2,650,384	2,059,798	590,586
Total	**2,650,384**	**2,059,798**	**590,586**

The caption comprises non-current lease liabilities for office buildings, hardware and vehicles.

Current lease liabilities are recognised under current financial liabilities.

27. TRADE PAYABLES

(€)	30/06/2023	31/12/2022	Variation
Suppliers	13,222,914	9,876,475	3,346,439
Parents	335,485	694,810	(359,325)
Total	**13,558,399**	**10,571,285**	**2,987,114**

Trade payables amount to €13,558,399 and include invoices to be received of €4,930,973 and payments on account to suppliers of €737,815. Trade payables to related parties of €335,485 relate to services rendered by the shareholder Elettronica S.p.A. mainly for lease-related services for the leased building housing the parent's offices.

28. CURRENT FINANCIAL LIABILITIES

(€)	30/06/2023	31/12/2022	Variation
Shareholder loans	-	-	-
Other bank facilities	180,845	192,300	(11,456)
Other loans and borrowings	254,930	58,594	196,336
Bank loans and borrowings	3,175,222	3,384,224	(209,002)
Total	**3,610,996**	**3,635,117**	**(24,121)**

The current financial liabilities include the portion due within one year of the long-term credit facility provided by Crédit Agricole (€1,770,621, including Line A of €1,423,430 and the capex/acquisition line of €347,191), commented on above. In addition, at the reporting date, the group has financial liabilities of €1,404,601 with Banca Intesa, Unicredit and Banca Popolare di Sondrio for the RCS Group’s loan agreements and with Crédit Mutuel Bretagne for the Diateam’s loan agreement. See note 25 for a breakdown of the RCS Group’s loans.

29. CURRENT LEASE LIABILITIES

(€)	30/06/2023	31/12/2022	Variation
Lease liabilities	1,202,342	1,191,346	10,996
Total	**1,202,342**	**1,191,346**	**10,996**

The caption comprises current lease liabilities for office buildings, hardware and vehicles.

30. CURRENT TAX LIABILITIES

(€)	30/06/2023	31/12/2022	Variation
VAT	536,112	279,681	256,431
IRPEF (personal income tax)	87,838	44,372	43,466
IRAP	68,667	206,381	(137,715)
Other tax liabilities	762,333	920,589	(158,256)
Total	**1,454,949**	**1,451,024**	**3,926**

Current tax liabilities of €1,454,949 mostly comprise VAT of €536,112, IRPEF of €87,838 and IRAP of €762,333. Other tax liabilities principally consist of withholdings on employees’ June remuneration that the Group paid in July.

31. OTHER CURRENT LIABILITIES

(€)	30/06/2023	31/12/2022	Variation
Advances on EC grants	391,896	342,994	48,901
Other liabilities	5,582,559	4,355,365	1,227,194
Accrued expenses and deferred income	4,198,055	3,579,144	618,911
Total	**10,172,510**	**8,277,503**	**1,895,006**

Other current liabilities include advances of €391,896 received for projects funded by the European Commission. The main project is ECYSAP (European Cyber Situational Awareness Platform), whose objective is to develop and implement innovative theoretical foundations, methods and research prototypes integrated towards providing a European operational platform for enabling real-time cyber situational awareness.

The caption also comprises other liabilities of €5,582,559 mostly related to accrued holidays (€3,972,930) and the amount retained as a contractual guarantee in connection with the acquisition of the subsidiary Diateam (€300,000).

Accrued expenses and deferred income amount to €4,198,055, mostly related to deferred revenue.

32. COMMITMENTS AND RISKS

Commitments and risks include bank sureties given to third parties on behalf of the group companies to guarantee the correct performance of commercial agreements.

The liens on equity investments given (or to be given) pursuant to the loan agreement signed on 29 March 2022 by the parent and RCS ETM Sicurezza S.p.A. and a bank syndicate managed by Crédit Agricole Italia S.p.A. are described below.

RCS Group (formerly Aurora): on 29 March 2022, the parent, as grantor, pledged 100% of the share capital of Aurora S.p.A. to Crédit Agricole Italia S.p.A., Creval S.p.A., ICCREA Banca S.p.A. and Banca di Credito Cooperativo di Milano - Soc. Coop. (the “lending banks”) to guarantee the correct, complete and timely compliance with all the present and/or future monetary obligations of itself and RCS ETM Sicurezza S.p.A. with the lending banks arising from the loan agreement signed on 29 March 2022 by the parent and RCS ETM Sicurezza S.p.A. with the lending banks.

Deed of acknowledgement, extension and acceptance of pledge on shares: on 15 November 2022, Aurora S.p.A. signed a merger agreement with RCS ETM Sicurezza S.p.A. pursuant to article 2501-bis (LBO merger) of the Italian Civil Code (the “merger”) and the merger became effective on 24 November 2022. On 5 May 2023, the parent, as pledgor, signed, by exchange of correspondence with Crédit Agricole Italia S.p.A., Creval S.p.A., ICCREA Banca S.p.A. and Banca di Credito Cooperativo di Milano - Soc. Coop. (the “lending banks”), as secured creditors, a deed of acknowledgement, extension and acceptance of pledge on shares for the pledge on the entire share capital of RCS ETM Sicurezza S.p.A. that Aurora S.p.A. (now RCS ETM Sicurezza S.p.A.), as pledgor, gave by exchange of correspondence to the lending banks on 29 March 2022, to secure its obligations under the loan agreement signed on the same day by the parent and the lending banks, which RCS ETM Sicurezza S.p.A. joined as additional beneficiary on the same date.

Deed of acknowledgement of personal guarantee given by RCS ETM Sicurezza S.p.A.: on 15 November 2022, Aurora S.p.A. signed a merger agreement with RCS ETM Sicurezza S.p.A. pursuant to article 2501-bis (LBO merger) of the Italian Civil Code (the “merger”) and the merger became effective on 24 November 2022. On 5 May 2023, RCS ETM Sicurezza S.p.A., as grantor, signed, by exchange of correspondence with Crédit Agricole Italia S.p.A., Creval S.p.A., ICCREA Banca S.p.A. and Banca di Credito Cooperativo di Milano - Soc. Coop. (the “lending banks”), as secured creditors, a deed of acknowledgement of a personal guarantee for the correct, complete and timely fulfilment of the payment obligations (to the extent of that expressly stipulated in the related guarantee agreement) of the parent and RCS ETM Sicurezza S.p.A. with the lending banks arising for any reason under the loan agreement signed on 29 March 2022 by the parent and the lending banks, which RCS ETM Sicurezza S.p.A. joined as additional beneficiary on the same date.

33. RELATED PARTY TRANSACTIONS

The group carries out transactions with related parties and, specifically, the ultimate parent, which has a 38.3% investment in the parent. These transactions are not atypical and/or unusual, take place at normal market conditions and comply with the related contract terms and payment terms.

The group's related party transactions are shown below:

(€)	30/06/2023	31/12/2022
Non-current financial assets	6,000	6,000
Contract assets	1,789,179	1,295,339
Trade receivables	4,854,060	5,524,590
Total	**6,649,239**	**6,825,928**
Percentage of total assets	**4%**	**4%**

(€)	30/06/2023	31/12/2022
Trade payables	335,485	694,810
Contract liabilities	164,267	165,279
Current lease liabilities	239,961	233,171
Non-current lease liabilities	844,158	964,971
Total	**1,583,871**	**2,058,231**
Percentage of total liabilities	**1%**	**1%**

(€)	H1 2023	H1 2022
Revenue	1,560,034	1,801,854
Percentage of transactions	*5%*	*11%*
Purchases, services and personnel expenses	(187,264)	(226,462)
Percentage of transactions	*1%*	*1%*
Total	**1,372,770**	**1,575,392**

Current financial assets (€6,000) relate to guarantee deposits paid for a lease. Contract assets (€1,789,179) and trade receivables (€4,854,060) relate to sales-related activities carried out by the parent with Elettronica S.p.A. and not yet paid for at the reporting date.

Current and non-current lease liabilities (€239,961 and €844,158, respectively) relate to the lease payments for the office buildings leased from the shareholder Elettronica S.p.A.. Contract liabilities (€164,267) represent the net balance of progress payments in excess of the services rendered by the group, shown under liabilities in accordance with the IFRS. Trade payables (€335,845) mostly relate to the recharging of utility costs for the leased building.

The revenue and costs are the balancing entries of the above assets and liabilities.

LEGAL AND ARBITRATION PROCEEDINGS

At the date of preparation of this report, the group is not involved in significant administrative, judicial or arbitration proceedings that could have or have had in the recent past significant adverse effects on the financial position and financial performance of the parent and/or the group.

In the first half of 2021, the public prosecutors at the courts of Naples and Florence commenced an investigation into the directors of RCS at the time of the disputed events and the then engineer of the subsidiary, respectively. This investigation had not been concluded at the reporting date and covers the telematic interception activities carried out on behalf of the Perugia public prosecutor by the subsidiary RCS and, specifically, the storage of the captured data on a transit server in Naples owned by RCS before their definitive transfer to another server used by the competent public prosecutor in Rome.

At the date of preparation of these condensed interim consolidated financial statements, the investigation is still underway and none of the group companies has received the notice of investigation as per article 57 of Legislative decree no. 231. However, the suspension ordered as a precaution by the Naples public prosecutor on the assignment of new service contracts to RCS for passive and active telematic interception activities is still in place although the subsidiary continues to provide the public prosecutor with the other services under contract. The directors of the parent and RCS have assessed the risk that the proceedings will generate contingent liabilities for either the company or the group as remote, based also on the opinions of their legal advisors.

EVENTS AFTER THE REPORTING PERIOD

On 4 July, upon completion of a series of business development campaigns, the parent acquired several one-year contracts for the supply of cyber security and forensic intelligence products, mainly in Italy, worth almost €6.3 million.

On 12 July, the parent and Reco 3.26, an Italian company specialised in image recognition and video analysis that offers innovative and customised vision intelligence solutions for public and private entities, announced that they had signed a strategic agreement for an artificial intelligence solution applied in the field of video analysis and computer vision. With this agreement, Cy4Gate has acquired the exclusive right to use the technology in the national Law Enforcement Agencies sector.

On 26 July, the director Enrico Peruzzi resigned and the parent replaced him with Alessandro Chimenton. On the same day, subject to the favourable opinion of the nomination and remuneration committee, the parent's board of directors resolved the free allocation of 427,500 rights, valid for the assignment of one ordinary share of CY4Gate S.p.A. for each right exercised, to certain key management personnel of the parent and its subsidiaries. The rights may be exercised in compliance with the terms and conditions set out in the 2023-2025 stock grant plan. Specifically, under this three-year share-based incentive plan, the rights will vest if the following conditions are met:

- an annual business and financial target (45% of the total awards, 15% for each plan year);
- an annual ESG target (15% of the total awards, 5% for each plan year);
- a three-year share performance target (40% of the total awards).

The plan also envisages an extra-bonus target, should the three-year target be exceeded.

On 2 August, CY4Gate and JAKALA, a MarTech company leader in digital transformation, announced that they collaborated on the development of ProntoCyber®: the first e-commerce platform for cybersecurity designed for professionals, SMEs and large enterprises. This is an ambitious project that sees JAKALA's digital skills at the service of Cy4Gate's know-how on the cyber domain, creating a solution that fits into the Company's strategic portfolio and which aims to address and solve the needs in terms of cyber security for the market segment of professionals and SMEs, particularly exposed to cyber risks and poorly prepared from a cyber resilience point of view, due to their shortage of skills and funds to invest in suitable technologies and services.

On 8 August, further to the shareholders' approval resolved at their meeting of 27 April 2023, the parent's board of directors launched an own share buy-back programme. To this end, on 31 July 2023, the parent signed a share buy-back agreement with Equita SIM S.p.A., which will independently purchase its own shares in accordance with the parameters and criteria contractually stipulated and in compliance with the restrictions imposed by the applicable legislation, including Regulation (EU) no. 596/2014 (the market abuse regulation) and the terms of the shareholders' resolution.

The main objectives of the programme are i) holding treasury shares to service the incentive plans for the parent's directors, employees or consultants entailing the holding or assignment of shares or financial instruments convertible into shares and (ii) holding a treasury share portfolio to be used, in line with the parent's strategic plan, to service any non-recurring transactions and/or as consideration in non-recurring transactions, including equity investment exchanges, with other parties, in which the parent is interested. Reference should be made to the "investor relations" section of the parent's website www.cy4gate.com for additional information.

ON BEHALF OF THE BOARD OF DIRECTORS

(Domitilla Benigni)

(Emanuele Galtieri)